



## INTERNATIONAL NEWS

Reluctance to send armed force to Yugoslavia limits Community

## Failure of EC peace mission shows up flaws

By David Buchan in Brussels

THE failure yesterday of European Community attempts to forge a ceasefire agreement between Yugoslavia's leaders revealed not only the deep divisions among the country's politicians, but also the limited scope of the EC's mission.

The EC is clearly committed to putting diplomacy and money at Yugoslavia's disposal, but not to sending in an armed peace-keeping force to separate the warring parties if communal conflict worsens.

The 12 member states could only agree last Monday to their offer to quadruple the existing monitoring force from 50 to 200 and to send it into Croatia provided there was no serious danger of it being attacked. Before officials travelled to Yugoslavia as the US in the weekend it was searching for such an assurance.

France's suggestion that only an EC armed peace-keeping force might prove a real buffer between warring Serbs and Croats had had little echo among its EC partners.

Mr Douglas Hurd, Britain's foreign secretary, said such a European force could not be ruled out as a future possibility, provided it came under the Western European Union (WEU) organisation.

But the UK remains reluctant, mindful of its own unhappy experience in northern Ireland, of such a force.

Almost all other EC governments seem deeply reluctant to send soldiers into Yugoslavia, diplomats say. Nor do they consider consensus for such an operation likely among the nine EC countries that make up the WEU.

Germany currently chairs this defence organisation. Mr Volker Ruettgers, secretary general of the Christian Democrats, who dominate Bonn's ruling coalition, has been calling for a European buffer force in Yugoslavia.

However, most diplomats in Brussels believe his influence will be offset by Mr Hans-Dietrich Genscher, the Free Democrat foreign minister, who would not want to upset the newly created mechanisms of the Conference on Security and Co-operation in Europe (CSCE).

If the EC does not send armed peace-keepers into Yugoslavia, it may not be for want of an invitation.

The Yugoslav federal government, at least, has made it clear to Brussels it wants the EC to keep the lead in any further internationalisation of the crisis.

Mr Jacques Delors, European Commission president, has said the EC should be fully committed to peace-brokerage in Yugoslavia as the US is in the Middle East.

He promised last Monday a special Commission task-force to consider new forms of technical and economic aid for Yugoslavia. But by last week there was no sign of such a force.

Mr Hans van den Broek, foreign minister of the Netherlands, which presides over the EC Council of ministers, said existing EC aid worth about Ecu50m (£593.3m) would remain frozen until all-party talks on Yugoslavia's future started.

Brussels, in the meantime, has no intention of sending its constitutional lawyers out to draft a new constitution for Yugoslavia.

Despite Yugoslav interest in the quasi-federal machinery of the Community, "the EC is an anomaly, not a model, for Yugoslavia", says one official.

This is because the Community, which is trying to bring its 12 states closer together, is taken by the Yugoslavs as a model for disassociation, for becoming more, not less, separate".

FEAR, anger and uncertainty grip Zagreb, the capital of Croatia, as Croats wait for their government to declare a state of war, writes Laura Silber in Zagreb.

"The general perception is that the government is unable to cope with the fact Croatia is at war," said Mr Tomislav Katic, a lawyer in the capital.

Croats are questioning what went wrong over the past year, since the ruling Croatian Democratic Union (HDZ), under President Franjo Tuđman, won a landslide election on a platform of independence for Yugoslavia's western republic.

Mr Darko Bekic, a former adviser to Mr Tuđman, summed up the problem in an interview with *Danas*, a Croatian weekly newspaper: "In the euphoria that followed the elections, it was forgotten that the Serbian minority in Croatia also had entered democracy and that Serbs also had the right, as did the Croat majority, to their flag and political interests."

While there is criticism of the Croatian government, it is Mr Slobodan Milošević, president of Serbia, who is seen as the man responsible for the deaths of hundreds and the nearly 50,000 refugees who have fled strife-torn regions of Croatia.

Many Croats also see Mr Milošević as the villain who prompted Croatia's 600,000-strong Serbian minority to rebel against the government, in order to establish a Greater Serbia.

"President Tuđman has made mistakes, but Mr Milošević is trying to conquer and destroy Croatia. One cannot compare the two politicians," said Mr Katic, who supports Croatia's opposition Social Liberal party.

Although he did not vote for the HDZ, he says he feels, like most Croats, obliged to support the government while Croatia is at war.

"The war is very close, only 50km away. Yesterday I volunteered to help

the refugees. Some of my friends, who are professionals, have joined the national guard because they cannot stand any longer to watch the corpses of Croat policemen on television," Mr Katic said.

At least 200 Croatian police and soldiers have been killed in fighting with Serbian militants and the Serbian-dominated federal army since Croatia declared independence on June 25.

While Croats seem to expect the worst and are waiting for war to come to Zagreb, they are also looking to the government for leadership.

"Most Croats, of all political hues,

are more frightened by the paralysis and indecisiveness of the government than by the looming dangers," says Mr Siniša Babić, a Zagreb lawyer.

Meanwhile, an eerie silence envelops Zagreb's city centre. The railway station, usually packed in the peak of summer, is deserted. The only train scheduled to depart yesterday morning for Paris was fully booked.

Many choose the uncertain fate of a refugee, rather than wait for war.

But Mr Katic says he will not abandon Croatia. "I always thought we were fought in deserts and far off places; I never thought it would happen here to me."

## Serbian nationalist who holds key to ceasefire

But diplomats are sceptical Slobodan Milošević will negotiate lasting peace, writes Judy Dempsey

THE unofficial war now being waged against Croats by the federal army-backed Serb nationalists will spread rapidly unless Mr Slobodan Milošević, president of Serbia, decides to speak out against fighting and declare his political intentions, according to western diplomats.

But they add that Mr Milošević, one of the principal architects behind Yugoslavia's worst crisis since the Second World War, could be losing control over the Serbs living in Slovenia, eastern Croatia, and those living in the self-proclaimed autonomous republic of Knin, south Croatia.

Mr Milošević was catapulted into power in Serbia in October 1987 by promising Serbs it would redress a decision made in 1974 by the late President Tito.

Tito carved out of Serbia two autonomous provinces - Kosovo in the south and Vojvodina in the north - precisely to contain the influence of the Serbs, the largest ethnic group in Yugoslavia. But by last week there was no sign of such a force.

Mr Milošević extended the power of Serbia served only to fuel the sense of nationalism in the two western republics of Slovenia and Croatia, who in free elections last year shook off communism.

Unlike Slovenia, which is ethnically homogeneous, 12 per cent of Croatia's 4.5m population are Serbs.

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Mr Milošević, recognising that Slovenia has been lost, remains determined to prevent Croatia from becoming a fully-fledged independent republic.

Due to the proximity of the river Danube, the Serbs can escape across into Vojvodina, pick up supplies and continue forcing out Croats from villages close to the Serbian border.

The Croatian government, much to its regret, now complies with the army command.

This partly explains why Croatia's troops are so poorly armed, and why Hungary supplied weapons to the western republic earlier this year.

Officials from Croatia and Bosnia-Herzegovina believe that until Mr Milošević has secured a corridor across Bosnia-Herzegovina, which would link the Serbs in Krajina with Serbian proper, Serbs are unlikely to lay down their weapons.

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It is difficult to see how this region, whose leaders openly say they want to join with the Serbia republic, can become reintegrated into Croatia in the future. Croatia, *de facto*, has already lost this territory.

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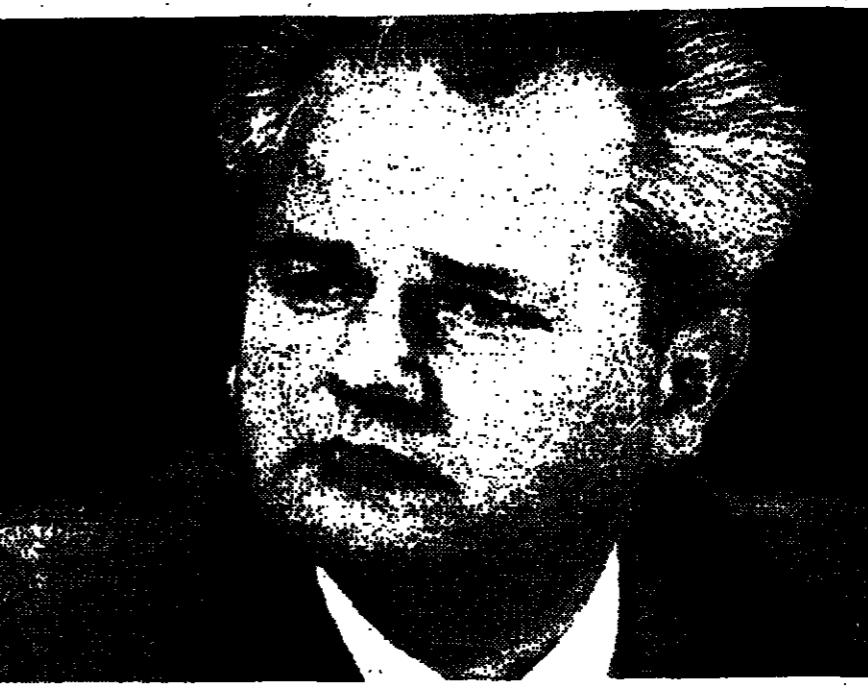
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Slobodan Milošević: catapulted into power in Serbia in October 1987

weapons. The aspirations of all Serbs living in one enlarged republic today dominates the agenda of the nationalists.

In Serbia itself there are few voices of moderation.

There is virtual paralysis among the opposition Democratic party which is too small to exert influence and is no match for the intense media propaganda nationalism which grips the republic.

Against this background, Mr Milošević is perhaps the only person who could ensure the implementation of a ceasefire. This could be the first step towards opening up negotiations for the future of Yugoslavia.

But one western diplomat yesterday held out little prospect of Mr Milošević diverting from his undeclared goal of creating a greater Serbia.

"He can continue to manipulate the Serbs. He can continue to wage war in Croatia by remaining silent. He can prevent military advisers from the European Community coming in because that would mean we would officially see for ourselves the exact relationship between the federal army and the Serb fighters."

"He will rein in his Serbs once he has carved out a new Serbia. He is the problem the EC faces," the diplomat said.

China to set up stock exchange

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# PLO struggles to win role in peace process

By Tony Walker in Cairo

THE Palestine Liberation Organisation stepped up its campaign at the weekend to secure recognition of its place in any new Middle East peace effort. It was fearing a humiliating exclusion from a proposed peace conference.

Mr Yasser Arafat, PLO chairman, continued a round of meetings with North African leaders, begun in Rabat last Wednesday, to enlist their support as the US pushes on with plans for an October meeting of Israel and its neighbours.

He has had talks with King Hassan of Morocco, President Zine al-Abidine Ben Ali of Tunisia and was to meet President Chadli Bendjedid of Algeria just hours before Mr James Baker, US secretary of state, was due to arrive in Algiers today from Tunis and Morocco.

Mr Arafat, amid a growing chorus of criticism from hard-line PLO factions, insisted that the Palestinians receive a memorandum from the US stating clearly Washington's acceptance of "international legitimacy" as the basis for a settlement.

This was a reference to UN Security Council resolutions 242 and 338 that call on Israel to withdraw from territory occupied in the 1967 war - the West Bank and Gaza Strip, and the Golan Heights.

"We are for a just peace," Mr Arafat declared in Tunis, "but it is the first time in history that a party to a conflict wants to have the right of veto on the composition of its adversary's delegation."

Mr Baker has urged the PLO to take a "back seat" in the approach to the proposed peace conference, and to allow "non-controversial" Palestinian representatives to be grouped with Jordan so as to avoid an Israeli veto.

But the PLO, fearful that its hard-won status in the Arab world as the "sole legitimate representative" of the Palestinians was being undermined, is showing increasing exasperation over its almost invisible role.

The organisation has been

shunned by traditional backers, such as Gulf states and Egypt, in protest at its support for President Saddam Hussein in the Gulf crisis.

Mr Arafat's already shaky credibility in the west also suffered badly.

PLO officials say the organisation would be "very flexible" on representation if the US promises in writing that the proposed peace conference would be aimed to implement UN resolutions. A PLO official in Jordan said: "Arafat is needed if they want to make peace. He is the only one who can guarantee safe delivery on the ground that it implied recognition of Israel and treated the Palestinian problem as merely that of refugees."

Robert Maisthane, Diplomatic Correspondent, reports: Britain indicated at the weekend that it did not agree with the Israeli government's objection to the inclusion of representatives from East Jerusalem in a Palestinian delegation to the proposed peace conference.

Senior Foreign Office officials who had talks in London on Saturday with two Palestinian representatives, Mr Faisal al-Husseini and Mrs Hanan Ashrawi, said that Britain had always regarded East Jerusalem as part of the Occupied Territories, rather than part of the capital of Israel.

The Palestinian representatives were in London as part of the "regular dialogue" which Britain had with Palestinians, a Foreign Office spokesman said.

Mr al-Husseini, who is closely associated with the PLO, is the leader of the Palestinian delegation which has met Mr Baker on several occasions since the end of the Gulf war. Both he and Mrs Ashrawi met Mr Baker in Jerusalem last Friday.



Women of the Pakistani opposition People's Democratic Alliance chant anti-government slogans yesterday in Karachi during a hunger strike against the arrest of opposition activists on charges of terrorism

## Allied Bank stake to be sold to employees

By Farhan Bokhari in Islamabad

THE PAKISTANI government is to sell a 25 per cent stake in Allied Bank (ABL), the country's smallest public sector bank, to its employees for Rs450m (£12.25m).

Some shares in the bank are to be offered to the public.

The deal, backed by the bank's management, could mark an important step in government attempts to allay union fears that the privatisation programme will lead to heavy job losses.

Under the terms of the agreement announced in Islamabad by Mr Sartaj Aziz, finance minister, all 7,325 employees of ABL would become shareholders.

They would initially buy out 25 per cent of the shares in a deal to be finalised within a month.

A further 25 per cent of the shares would be sold to employees within six months, giving them a final 51 per cent stake. Also, 14 per cent of the shares would be offered to the public on the stock market.

ABL employees will be prevented from selling their shares during an initial five-year period.

Mr Aziz said his government would consider similar deals in other state sell-offs.

Pakistan's government says that it plans to sell at least 115 public sector factories, plus such services as such as

Eight companies now have shares listed in Shanghai, and six in Shenzhen.

One of China's most famous dissident journalists, released this year after 20 months in prison, has been re-arrested, his brother said yesterday.

Zhang Weiguo, 32, was taken from a relative's home in east China's Zhejiang province.

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## China to set up more stock exchanges

CHINA'S central bank is committed to expanding stock markets in the country, the official China Daily reported yesterday. Reuter reports from Beijing.

The Shenzhen exchange, just over the border from Hong Kong, was allowed to open officially last month, after three years of grey-market trading.

The market in Shanghai, China's biggest city and site of the pre-revolution stock exchange, opened in December.

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# BT is bringing prices down.

Over the past year, retail prices have gone up by 5.8%. So you might expect BT prices to go up by much the same. Not so.

BT is committed to keeping its main price changes overall to 6.25% below the level of inflation. Which, in this year's case, means BT's main prices actually go down overall.

But we are doing more than that. For the first time, we're introducing flexible pricing packages designed to meet the differing needs of customers. There will be volume discounts for those who use the phone a lot. And, at the other end of the scale, there will be a special reduced price scheme aimed at those who need a phone, but don't use it much.

These are the changes, which come into effect from the beginning of September.

## Price of international calls cut to 199 countries.

In April, BT reduced the cost of calls within the UK by an overall 6%. Now it's the turn of international calls to be cut by almost 10% overall.

The most popular long-distance routes are being cut the most. Calls to Australia and New Zealand by at least 17%, and to the USA and Canada by at least 14%. (A cheap rate call to Canada, including VAT, will come down to just £2.57 for five minutes.)

Calls to Japan and most countries within Europe are being cut by over 6%.

In all, prices will be cut on 199 out of the total of 201 routes, with the lowest decreases being 4%.

## Discounts for high users.

From September 2nd anyone who spends over £117.50 a quarter, including VAT, on dialled calls will start receiving an automatic volume discount.

The discounts are on a stepped scale - the more you use the phone, the sooner you get to the next step and the less you pay for additional calls. For personal customers, the discount

CALL FREE 0800 800 891 ANYTIME

could be up to 8% and for business customers up to 9%.

In addition, we will be introducing Customer Options for high users to give them even better value for money.

The Options offer a reduction in call charges of between 8% and 13.3% in return for a quarterly charge. We will be contacting customers directly with fuller details.

## Half price rentals for people who need a phone, but don't use it much.

We know that more than a million of our customers need a phone to keep in touch with the outside world, but don't use it very often.

These are people who regularly spend less than £27.50 a quarter, including VAT, on their phone bill.

We are offering to cut their line rental by half. And, in addition, to give them the first 30 units of phonecalls they make each quarter free of charge - enough to make almost 2 hours worth of cheap rate phone calls.

After that, the next 120 units will be charged at a rate of 18.7 pence each. (We're doing this to ensure that the benefits of the service go only to genuine low users.) After the 120 higher-rate units, subsequent units will be charged at the standard rate of 4.94p (all prices include VAT).

To illustrate the benefits: for someone using only 60 units per quarter, their quarterly bill will be cut by around £3.50 compared to the Low User Rental Rebate Scheme. We're calling this service 'Supportline' and will be contacting all our customers who may benefit from it. (In the meantime, the current Low User Rental Rebate Scheme will continue.)

Obviously, because the Supportline service is aimed at those in need, it does not cover usages such as second lines, business lines, and dedicated lines that monitor alarm systems.

## UK call charges either frozen or up by less than inflation.

The price of local calls and national cheap rate calls is going up by slightly under 5% - which is less than the rate of inflation.

The price of daytime national calls will not be changing. And the price of our most popular call - a three minute local cheap rate call - will remain at 4.94p (including VAT). This is the same price in pence as in 1981. Allowing for inflation since then, the cost of a three minute local cheap rate call has fallen by almost half.

## Line rentals increased to reflect more accurately the true cost of the service.

We're increasing the price of installing a new line and the quarterly line rental charge by 2% more than inflation. Even so the cost to BT of providing each line far exceeds what we are charging. Line rental charges include a continuous line checking system (we rectify most faults before users have even become aware of them), and free repairs - including call-outs.

Your BT line keeps you in touch with the world (with connections to over 700 million phones), and provides 24 hour access to the 999 emergency service.

## Overall prices that keep coming down.

Even though the rental charge is going up, main prices overall will be going down.

Nor is this anything new. Including these latest price changes, our main overall prices have fallen by 30% compared to inflation since 1984.

Which is just as it should be.

After all, since you're more than just a number, it's the numbers on your bill that should be less.

More details of our new prices will follow in a booklet accompanying your quarterly account. If you'd like to receive more information now and/or register for early notice of future price changes, phone our Pricing Information Service on 0800 800 891. Free of charge, naturally.



You're more than just a number.

## UK NEWS

## Lib Dems win best viewing figures

By Ralph Atkins

TELEVISION party political broadcasts for the centrist Liberal Democrats have beaten those of Labour and the Conservatives in audience ratings.

Figures for party political broadcasts before the May local elections and afterwards show that larger sums spent making the five or 10-minute broadcasts by Labour and the Tories have not won more viewers.

Besides boosting Liberal Democrat morale, the figures highlight how programmes scheduled before and after party political broadcasts are as important, if not more so, than the broadcasts themselves.

Labour, in particular, has won critical acclaim for recent fast-moving and glibly broadcast.

Figures compiled by the Broadcasting Audience Research Bureau show the Liberal Democrats had an audience of 1.4m for a broadcast on the Monday before the May 2 local elections. The day after, a Tory broadcast reached 1.3m and a Labour broadcast on the eve of polling reached 1.15m.

Similarly, figures for a batch of party political broadcasts in May, June and July put the Liberal Democrats on 1.1m, Labour on 9.9m and the Conservatives on 8.5m.

Party political broadcasts are shown usually on three channels before the main evening news programmes.

Mr Shaun Woodward, the Conservatives' head of party communications, said: "The number of people who watch depends very heavily on the programmes preceding, and after, the party political broadcast. To an extent it is quite arbitrary. However, there is no doubt that if you make a bad broadcast, people switch off."

The Conservative party does not disclose how much it spends on making its broadcasts. However, it is unlikely to be less than Labour who latest figures suggest about £20,000 per broadcast was spent in 1989.

In contrast, the Liberal Democrats local election broadcast cost £7,500. Its broadcast in May cost £12,500.

• A party political broadcast by Dr David Owen, leader of the remaining three Social Democrat MPs, is to be shown even though their party was wound up last year. It will appear on September 12, the day Mr Paddy Ashdown, leader of the Liberal Democrats, speaks at the party's conference in Bournemouth.

## Labour move on rail link

A LABOUR government would seek private investment to cover up to three quarters of the cost of the Channel tunnel rail link. Mr John Prescott, the party's transport spokesman, indicated yesterday, Ralph Atkins writes.

On TV, Mr Prescott reiterated his commitment to a public and private investment partnership in rail transport.

Labour previously favoured a 50/50 balance for the link.

## Pay settlements in manufacturing fall sharply

By Diane Summers, Labour Staff

THE SHARPEST drop in manufacturing pay settlements for 10 years is revealed today in the latest pay survey by the Confederation of British Industry (CBI), the UK employers' organisation.

The downward shift in pay settlements, which is confirmed by other independent surveys, is evidence that the depth of the recession and the growth of unemployment is feeding through into slower wage inflation.

The fall in pay settlements will be welcome news to the government in the wake of last week's CBI Industrial Trends survey which said there was no evidence that the recession had bottomed out.

Service sector settlements fell from 8.9 per cent in the second half of last

The CBI pay survey found manufacturing settlements had dropped from an average of 8.1 per cent in the first quarter of the year, to 6.5 per cent in the second quarter.

British pay settlements in the second quarter were below those in Germany at 6.6 per cent. Although the CBI says this is a "remarkable development", it acknowledges it may reflect Germany's economic difficulties rather than the flexibility of the UK labour market.

The employers' organisation also pointed out that pay rises in France averaged 4.4 per cent in April.

Service sector settlements fell from 8.9 per cent in the second half of last

year to a provisional 7.3 per cent in the first half of this year, according to the CBI figures.

The downward shift in pay is confirmed by a survey from Incomes Data Services, the pay research group. However IDS says the bulk of settlements is still higher than the annual rise in the retail prices index.

Almost one in seven employers in manufacturing industry froze pay for up to six months during the first quarter of the year, according to the CBI. About one in 10 employers in the service sector was said to have frozen pay.

The CBI also reports a slight improvement in manufacturing pro-

ductivity growth, from 3.2 per cent growth figure at the end of 1990, to 3.4 per cent in the first quarter of this year and a provisional estimate of 4.2 per cent in the second quarter.

Evidence that pay costs are being controlled is welcomed; says the employers' organisation, although "unit labour cost growth must be brought down much further to be sure of winning orders and benefitting from the recovery when it comes".

• Late payment of debts is the biggest single difficulty for businesses in the recession, with small companies the worst payers, according to a survey by the Chamber of Commerce and Industry in Manchester, writes Ian

Hamilton Fazey. Two thirds of businesses said they were having increasing difficulty in collecting money. Some were in a vicious spiral of ever later payment, putting off their own creditors until they had money coming in.

In a league table of problems, high interest rates ranked second equal alongside tougher competition, but only 15 per cent of the 400 businesses in the sample listed either.

For 42 per cent, the impact of late payment on cashflow was the worst difficulty they faced. Bad debts from liquidations were troublesome for 9 per cent, but only 5 per cent said they were having trouble with their banks.

## Seeds of the squeeze sown in fertile ground

James Buxton on an area where recovery is only on the surface

FALKIRK lies roughly midway between Glasgow and Edinburgh an area sometimes called the Scottish Midlands. Like its name, Falkirk's recent economic performance has been middling.

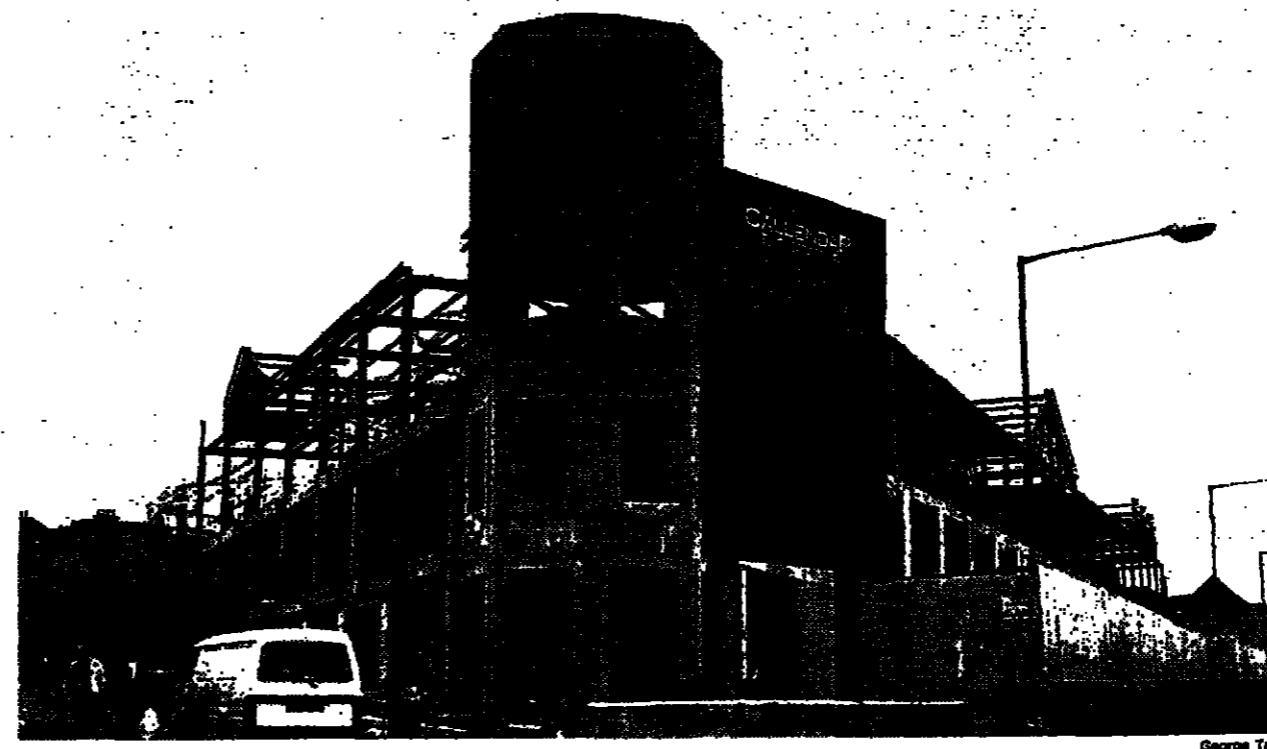
While Mr Terry Lawson, of the region's chambers of commerce admits that the area is "a good ground for recession", it is debatable whether the full-blown recession has arrived in Falkirk. The people passing along the town centre's attractive pedestrian street on Saturday afternoon do not seem short of spending power.

But the notion that recession has somehow been halted at the Antonine Wall, the ramparts at the top of the town which was the Roman's advance position north of Hadrian's Wall, is misleading.

Falkirk, as with many places in Scotland, never enjoyed the excesses of the post-1988 economic surge. Unemployment in the Falkirk travel-to-work area fell steadily from about 16 per cent in 1986 to 10 per cent last year. Now it is up to 10.7 per cent, hardly a big increase, but still higher than the Scottish national figure of 9 per cent.

The Carron ironworks and foundries closed in 1982 and the town centre deteriorated so much that the shoppers had to go to Stirling.

The turning point came after



George Trapp

Empty hopes: Falkirk's Callendar shopping centre remains unfinished since the developers went into receivership

Rush & Tompkins went into receivership in 1990.

Residential property is still selling, "though you may have to wait six to eight weeks for a sale, compared with two weeks a year ago when property was still booming here," says Mr Tom Anderson of GA Property.

"Prices are not going down, but the rate of increase is very slow."

Mr Dennis Canavan, Labour MP for Falkirk West, argues that Falkirk has been "very badly hit by recession".

The unemployment figures are fiddled, he says. "Deep down there's a lot of misery and deprivation."

Mr Bill Ewing, district council development officer, points out that the only sizeable new "industry" in Falkirk is the

past 15 years has been an Asda distribution centre, although

which nearly 400 are on a three or four-day week.

"There is no sign of an improvement in the UK, but we're chasing export orders," says Mr Ian Galloway, chief executive. "It's a long hard battle to survive."

Behind the 19th century facade of the Carron ironworks, now likely to be demolished, Carron Phoenix, maker of kitchen sinks and acquired last year from its management buy-out team by the private Swiss company Franke, is expanding.

But the town's biggest industrial employer, Weir Alexander, is going through difficult times. It makes buses, for which the UK market has collapsed because of the recession.

Employment has fallen from 763 in April 1990 to 525, of

which nearly 400 are on a three or four-day week.

"There is no sign of an improvement in the UK, but we're chasing export orders," says Mr Ian Galloway, chief executive. "It's a long hard battle to survive."

At the council Mr Ewing lists the town's new strengths: good communications, leafy suburbs now getting executive housing and a new office park nearing completion east of the town, with the Inland Revenue set to take space. In the scramble for investment, however, established places such as Falkirk are up against new towns like Cumbernauld and Livingston.

Mr Ewing says: "People don't realise what we've got here."

## Reform urged for Next Steps agencies

By Andrew Adonis

THE quasi-autonomous Next Steps agencies set up to manage the service-providing role of Whitehall departments are flawed and urgently need reform, according to a report published today.

The report, by the left-wing Institute for Public Policy Research, is highly critical of the *ad hoc* nature of the agencies. It argues that they are too constrained by the Treasury and not properly accountable to parliament and proposes they be put on a statutory footing.

The Next Steps initiative was launched in 1988 by Mrs Margaret Thatcher, then

prime minister, to improve delivery of public services - is worthwhile. However, they add: "If the government intends to break up the unified Civil Service it must state its case unequivocally and fully address the implications."

The report recommends:

- Legislation to specify the agencies' remits and to set out public redress procedures and rights to information.

- Greater powers for parliamentary select committees and the National Audit Office to monitor agencies.

- A redefinition of the role of civil servants to reflect increased managerial responsibility.

INDUSTRY believes "green" campaigners are having too much influence in drawing up tough new EC environmental regulations, according to a survey of the top 1,000 British companies, John Hunt writes.

Nearly half (49 per cent) of the companies said that forthcoming EC legislation in this

area was biased too much towards the environmentalists' viewpoint. None thought that new UK legislation was biased in this way.

However, local authorities take a very different view. They have the job of policing many of the environmental regulations governing industry and the survey found that none of them thought UK or EC legislation was too heavily influenced by environmentalists.

In fact 44 per cent felt British legislation was biased towards industry and 114 per cent that EC legislation was similarly biased.

The survey was conducted by Consulting Makers, the political consultancy specialising in environmental legislation, and CH2M Hill, the engineering consultancy. It says the use of environmental audits is growing, with 49 per cent of companies carrying them out regularly.

The programme's aim is to make qualifications fully transferable across sectors.

Mr Gareth Gimblett, leader of Berkshire county council and chairman of the consortium that has been co-ordinating development of the training scheme, says in the latest issue of the journal Personnel Today: "The Department of Employment is anxious to get the project completed because it is a vital part of its strategy for completing the National Vocational Qualifications framework by the end of 1992."

The programme, for care workers in the health service, voluntary sector and local government, had been postponed by the Department of Health.

It involves the integration of qualifications for non-professional staff across the sectors, which was due to have been completed by 1992 but was put back by two years in June. This latest development makes it likely that the programme will, after all, be completed by next January.

The Department of Health delay had been seen by unions as a threat to implementation

of the government's community care reforms in 1993. Under the reforms, management of some National Health Service care of elderly and handicapped people is to be taken over by local authorities.

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## MANAGEMENT

**W**hen the chairman of Illinois Tool Works, a manufacturer of engineered components and systems, is asked how he keeps track of the vast array of products made by ITW's more than 100 operating units, his answer is simple. "I don't. Nobody can."

This answer is not the irresponsible and off-hand comment it might seem for the chief of a multinational company with \$2.6bn in revenues last year. Instead, the reply is at the heart of ITW's management philosophy. To John Nichols' mind, creating a complex bureaucratic structure to track every widget would bring nothing but trouble.

He prefers to keep it simple. ITW is a "very horizontal organisation. Each operating layer is short. So if there's a problem it's going to show up right away," says Nichols. He is confident that if he needs to know what is happening in a given unit, the plant manager can quickly tell him.

This avoids going through layers of bureaucracy that can distort the real picture, he says, and it imbues plant managers with a real sense of being directly in touch with the top.

Nichols' confidence in this technique even extends far

from the chairman's office. Barbara Durr explains why a US multinational thinks small is beautiful

## ITW: ultimate widget group fastens on to bright ideas

cargo spawning ground. In the belief that the company can serve customers best by being close to them, ITW has located units in 35 countries overseas, many of them in Europe – particularly in France, Germany and the UK. These generated more than 46 per cent of its 1990 operating revenues.

The extraordinary decentralisation has other important benefits besides easy management vigilance. It helps to keep overheads low and creates a corporate culture of involvement and creativity. ITW's corporate headquarters in the Chicago suburb of Glenview is an example of its no-frills philosophy.

Housed in a plain-Jane sort of office building, it boasts straightforward off-the-shelf furnishings and few adornments of the usual image-conscious kind.

Nichols's office is a box with a glass door like that of every

other executive. The overall impression is of Midwestern wholesomeness and good old-fashioned American values like democracy and hard work. And the effect is achieved without guile.

The other key benefit to keeping operating units on a humanly digestible scale is that the creative juices seem to flow more easily at that level. The company currently holds more than 4,000 active patents worldwide.

ITW has invented some of the most basic things that we use in everyday life, such as the two-pronged plastic buckle that is on virtually every piece of sporting equipment made today from life-jackets to the immensely popular new belly-packs.

It also developed the plastic ring-packaging for holding together six or twelve packs of soft bottles, and came up with a new idea.

To honour individual employees for their innovative

achievements management includes them in its own in-house "Patent Society", which carries a particular cachet within the company.

The scope for new inventions at ITW, the ultimate widget company, is extremely broad. It makes everything from plastic and metal fasteners to industrial tooling systems. Its products often seem low-tech and geared to basic applications, but they are highly engineered.

They also frequently emerge from close contact with customers. In working with both the British and French companies involved in constructing the Channel tunnel, for example, it developed an easily replaceable anti-corrosive anchor which enables equipment to be attached to the tunnel's concrete walls.

This application-focused product approach is part of the management's strategy. While

he has carried on a spate of acquisitions over the last decade, Nichols still believes firmly in growth from internal development of products.

ITW's well-crafted management wins kudos from analysts. Robert Bartels, for example, of William Blair of Chicago, says ITW is "prototypical of what a manufacturing company must be to succeed in the 1990s and beyond."

"The methods, structure and culture which enabled the company to increase sales and profits six-fold and four-fold, respectively, during the 1980s, and built ITW into a highly profitable (18 per cent return) manufacturer with sales of \$2.6bn, should carry the company it forward strongly in the current decade."

While the acquisition of Signode from its management and other outside shareholders for \$22m in 1986 doubled ITW's sales, the traditional pattern of acquisition has been of small companies, with sales \$5m to \$50m, that fit snugly into ITW's existing operations.

Nichols says that acquisitions are "platforms for us to restart internal development". Without this heavy emphasis on internal growth, he says, "we'd just be another guy buying stuff."

And Nichols is clearly not "just another guy".

## Why it can pay to offer a choice

Andrew Jack reports on the growing popularity of flexible benefit schemes

on their agenda, or on their budget for next year," he says. Schemes soon to be launched include two in National Health Service trust hospitals.

In a flexible benefits package, there will normally be a "core" range of benefits on top of salary, including a pension contribution. Staff can then select options up to the value of a set allowance. Benefits might include childcare, school fees or mortgage assistance, season ticket loans and holidays.

There are a number of reasons for the recent interest in such schemes. Personnel managers have often been dissuaded from offering flexible schemes because of the difficulties of administering them. That was the main hindrance cited by one third of respondents to the Hewitt survey.

More sophisticated software to handle the details and a new generation of personnel staff willing to do the computer are beginning to change this.

Second, as the cost of providing benefits rises year by year, companies are becoming increasingly aware of the need to tailor packages precisely to their staff's needs, says Philip Murray of Hewitt Associates.

Third, demographic changes in the labour force are bringing pressure to bear on companies to offer more flexibility. In the Hewitt Associates survey, 49 per cent of companies said there was for specific groups, and 16 per cent for all staff.

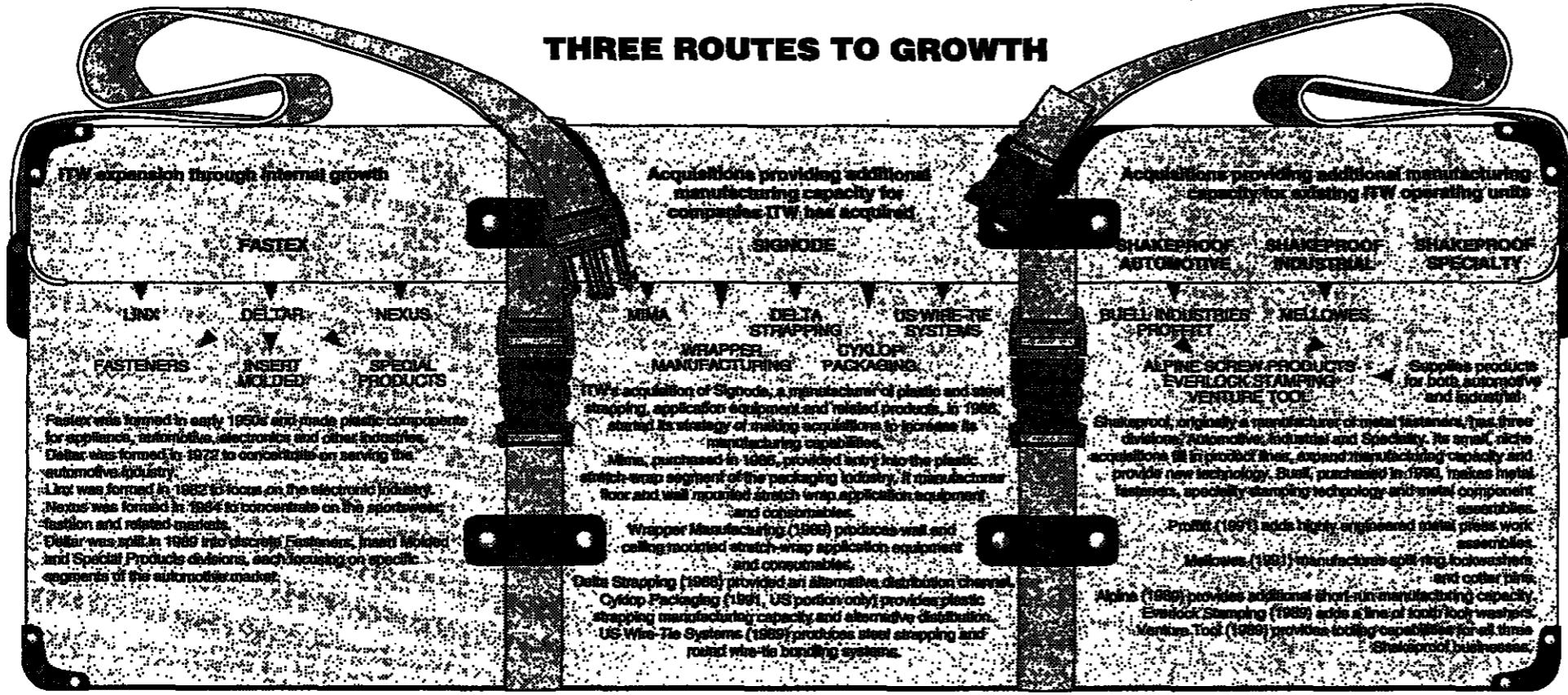
That may seem a touch optimistic on the basis of a questionnaire which garnered only 120 responses out of a total of 1,800 sent to businesses employing more than 700 staff, and given that intentions often differ widely from practice.

Yet the trend is endorsed by others in the field. Brian Friedman, managing director of Stoy Benefits Consulting, says: "Until now it has been dismissed as a nice idea in theory. Now suddenly companies are revisiting it seriously."

Friedman estimates that about a dozen large employers currently operate flexible benefits, but that nearly 200 are examining the idea. "We are working actively with 12 employers who say it is high

enough to pay a cost for it."

### THREE ROUTES TO GROWTH



"I Think We Can Build A Better Airplane." Wm. Boeing, 1914



*It was sleek and dark. And streamlined beyond belief. The Boeing Monomail has been called the first modern air transport. Its design, revolutionary. All-metal construction. A single, cantilevered lower wing. Retractable landing gear. Gone was the notion that only brute power could increase a plane's performance. Aerodynamic design had come of age.*

*It is being designed entirely on computer. With direction from the leading airlines of the world. It is being built by thousands of people who live aerodynamics and breathe payloads. Systems will be unsurpassed, testing unmatched. Airlines will have more seating options than ever before. And passengers more head room and comfort than ever imagined. Simply put, the 777 will be the most advanced jetliner ever to take flight.*

BOEING



## ECONOMICS

## Markets wary of German interest rates

WARINESS OF another Lombard rate rise in Germany is taking hold of the markets this week ahead of the Bundesbank council meeting on August 15.

Though the German economy is expected to slow in the second half of this year, traders expect the Lombard rate to be raised by half a point to 9% per cent before mid-September.

This has led many to think that the Bundesbank council will raise the discount rate - currently at 5% per cent - on August 15, to narrow the differential between the Lombard and discount rate.

Inflationary pressures have picked up in Germany, with wage settlements running at 7 per cent, and the year-on-year cost of living rate at 4.5 per cent.

The authorities are expected to override fears of a sharp slowdown and keep monetary policy tight. Mr Helmut Schlesinger, the bank's new president, has already spoken of his

## Germany

Manufacturing new orders

volume (1985 = 100)

130

125

120

115

1990

91

Source: Datateam

fears of a wage-price spiral.

In the UK, talk is of a possible recovery from the continuing recession. But the markets have no reason to expect a base rate cut this week, with no UK data likely to provoke the authorities' into action before next week's retail price index.

Wednesday: US, 10-year note auction, total volume \$12bn, Fed releases Tan Book for FOMC meeting, June wholesale trade, consumer credit

ket has to stomach a record quarterly refunding, with \$38bn of bonds being auctioned.

Monday: US, Congress recesses until September 10, July 21-31 auto sales, San Francisco Fed president Parry discusses economic outlook at the Fresno Rotary club, Spain, regular central bank repo.

Tuesday: UK, Bank of England releases details of Ecu Treasury Bill tender, Halifax building society releases house price index for July, US, three-year note auction, total volume \$14bn, preliminary 2nd quarter non-farm productivity.

Wednesday: US, July unemployment (west, flat), June employment (west 30,000), July unemployment (east, 250,000), short time workers, Canada, July foreign reserves (down \$300,000), May leading indicator.

Thursday: US, 10-year note auction, total volume \$12bn, Fed releases Tan Book for FOMC meeting, June wholesale trade, consumer credit

(\$0.5bn). Australia, 2nd quarter consumer prices index (quarterly 0.5 per cent, yearly 3.8 per cent), Canada, July help wanted index.

Friday: US, 30-year bond auction, Switzerland, EIS meeting, US, money supply, initial claims, Australia, June unemployment rate (9.6 per cent), June employment (down 10,000), Canada, May labour income.

Monday: US, July producer prices index (0.0 per cent), excl. food and energy (0.2 per cent), Canada, July unemployment rate (10.4 per cent), July employment growth (0.2 per cent), housing starts (down 165,000), new housing price index, motor vehicle sales, department store sales.

During the week: Germany, manufacturing orders (flat), money supply, June retail sales (9 per cent), Switzerland, July consumer prices index (6.5 per cent).

Rachel Johnson

## APPOINTMENTS

## Promotion at Dairy Crest



Mr John Houliston, deputy chief executive of DAIRY CREST, has been promoted to chief executive from November 1. He will succeed Mr Geoffrey Bar who is retiring. Mr Houliston joined Dairy Crest in January 1980, and previously was managing director of Ross Youngs, part of United Biscuits.

■ WELLGROVE TIMBER SYSTEMS, part of the Stewart Milne Group, Aberdeen, has promoted Mr Philip Rowson to managing director. He joined the company in 1976 and was assistant managing director. He takes over from Mr Hugh Mackay who will now devote himself to his post on the main board.

■ WILLIS WRIGHTSON NORTH, Bradford, has appointed Mr Trevor Sutton as deputy managing director, and Mr David Cartwright as divisional director. The company is part of Willis Corroon.

■ Mr Neville Reyner has been appointed managing director of the electronic products group of MITSUBISHI ELECTRIC UK, Hatfield. He joined the company in 1983, and was director of various Occidental subsidiaries including its North Sea operating company.

■ BLETCHLEY MOTOR GROUP, Milton Keynes, has appointed Mr Stephen Potter as group financial director. He was group financial controller.

■ AEROSOLS INTERNATIONAL, a Swallowfield subsidiary, has appointed Mr Robert Coachee as sales and marketing director. He was national sales manager with L'Oréal Group.

■ Financial director of Hardy Oil

■ Mr Anthony S. Whyatt has been appointed financial director of HARDY OIL & GAS. He was senior assistant treasurer of Occidental Petroleum Corporation, vice president and treasurer of Occidental Financial Services Inc, and a director of various Occidental subsidiaries including its North Sea operating company.

■ Mr Patrick Hill, vice president, corporate marketing, NCR Corporation, will take over as managing director of NCR Ltd on September 1. He will succeed Mr Bex M. Fleet as chairman following the latter's retirement on December 31.

■ Mr Alex M. Rankin, chairman of Scottish & Newcastle Breweries, has joined the board of SECURITIES TRUST OF SCOTLAND. He is a director of other companies including Christian Salvesen, and the Bank of Scotland.

■ Mr Peter Goodwin has been promoted to managing director of SM MAGAZINE DISTRIBUTION. He was deputy managing director, and succeeds Mr G. Hoyle who has been promoted in the Argus Group to managing director of The Reading Newspaper Co. Mr Hoyle remains a director of both SM and South London Press.

■ HERTZ EUROPE has appointed Mr Albert Nahum as director of marketing.

■ RANK HOVIS McDougall has appointed Mr Patrick A. Metcalf (pictured) to the board. He continues as chairman of the cereal division, but in addition will work with Mr Tim Howden, managing director, on RHM's European plans.

■ BERTHOLD post

■ Mr Nick Banish, head of pooled pension funds at HENDERSON, has been appointed to the board of Henderson Pension Fund Management.

■ The major projects division of BRIGGS AMASCO has won an £8.75m contract on the £120m Waterloo International terminal project. The division will work with its sister company, MAG Bridge Amasco, to supply the roofing and glazing package. The bow string frame roof (model pictured), which will have 35 bays and be more than 400 metres long, will contain over 20,000 square metres of stainless steel.

## RESULTS DUE

COMMERCIAL UNION will kick off what is likely to be a grim season of results from the leading insurance companies when it reports half-year figures on Wednesday. Analysts are expecting a pre-tax loss of £20m, compared with a profit of £16m last year. CU will be by no means the worst, however, in a sector which is feeling the full force of recession.

National Westminster, the last of the big four clearing banks to report, is expected on Tuesday to hold its dividend and reveal a drop in interim profits from £225m to around

£20m-£50m, and bad debt provision up from £425m to £765m.

The week also sees first-quarter figures from two privatised companies, British Airways and British Telecom. Passengers traffic for British Airways, reporting on Wednesday, is still suffering from the recession and the after-effects of the Gulf War.

After the company's warnings with the last full-year figures, analysts are looking for a small loss in the first quarter to the end of June.

More interesting will be any hints about trading in the

all-important current quarter. British Telecom on Thursday is expected to make pre-tax profits of around £800m against £741m in the same quarter last year. Call volume growth will have dwindled but savings from cost reduction programmes, such as large staff cuts, should more than offset that.

British Petroleum and Shell, the Anglo-Dutch oil company, will report second quarter pre-tax profits of between £245m and £265m, down from £275m a year ago. Though operations in most of continental Europe are thought to have fared well, the UK remains depressed and there has been little firm evidence yet of recovery in North American consumer products markets.

## TRADE FAIRS, EXHIBITIONS &amp; CONFERENCES

AUGUST 9- SEPT 9  
PAI, London, Pay Workshops. A series of workshops to be held on Heath Pay, Civil Service Pay, Teachers Pay, Local Govt Pay, Police Pay & Armed Forces Pay, at CIPFA's Public Finance Foundation, 11:30-14:30 p.m. £20 per workshop or £100 for all six. Tel: 071 895 8823, Ext 255 Gail Main or Ext 344 Chris Tindall. LONDON

SEPTEMBER 2  
AIJA-CITY OF LONDON 5 YEARS BEYOND BIG BANG. Mark Sheldon; Justice Councillor Michael Crystal QC; Andrew Whistler; Jonathan Pyne; Barbara Mills QC; Monty Raphael; Martin Karsik, QSH Centre. Contact - Christine Rickards, IBC, 071 637 4383 LONDON

SEPTEMBER 3  
COMMERCIAL VEHICLE COMMUNICATIONS TODAY & TOMORROW. Comprehensive overview of simple/sophisticated voice and data communication and control systems for distribution companies operating commercial vehicles in the UK/overseas. Contact: Hilary Keeble, NMHC, Cranfield Inst of Technology, Tel: 0234 750323 Fax: 0234 750327 LONDON

SEPTEMBER 19  
DIXON'S, PCBS AND PURANS - Sensors & Weapons. With Prof. Dr. Werner, University of Linz, Sweden, on Sensors of Human Experience and Sources Previously Unknown: Environmental Levels of PCBs, PCDDs and PCDFs in the UK by Dr Colin Creaser of East Anglia University. Two sessions followed by intensive workshops. Palace Hotel, Buxton, Derbyshire. Contact: Pamela Shinnell, IBC, Tel: 081 776 1367 LONDON

SEPTEMBER 16-17  
COMPETITION AND CHANGE IN EUROPE'S TELECOMMUNICATIONS MARKETS: THE PORTMAN INTER-CONTINENTAL HOTEL. The telecommunications policies currently being pursued by regulators in the UK, EC and Eastern Europe and the business opportunities they create will be examined. Contact: Jo Bradley 071 976 6565. LONDON

SEPTEMBER 18  
INTRODUCTION TO PENSIONS. The course will incorporate worked examples and provide ample opportunity to question the speakers on particular areas of personal concern. The Chesterfield Hotel, Chester. The Registration Department - 0836 204244. LONDON

To advertise in this section please call  
Mark Hall-Smith on 071-873 3580

## CONTRACTS &amp; TENDERS

## REPUBLIC OF GUYANA

## Management Contract for Bauxite Industry

1. The Bauxite Industry Development Company (BIDCO) and its subsidiary Guyana Mining Enterprises (GUAYMINE) are considering appointing a qualified and experienced engineering/mining company to undertake the restructuring and day to day operation of its principal bauxite operation located at Linden, Guyana.

2. The objective of the management contract is to put the Linden operation into a viable commercial position with view to the divestment of the Linden facilities - as a separate corporate entity - in the medium term. In addition to managing the operation, it will include specific tasks in the areas of production normalization, equipment rehabilitation, financial restructuring, labor rationalization and accounting. The assignment is expected to last a period of 18 months and to require about 120 man months effort. It should begin by end-1991.

3. The Linden operations have a current annual capacity of about 400,000 tons per year of mostly refractory bauxite from open pit mines, plus calcining plant, power generation and port facilities. The present labor force is about 3,000 employees.

4. This announcement is to invite letters of interest from qualified and experienced firms who wish to be considered for the assignment. Those firms who are interested should submit brief information supporting their experience and qualifications in the fields of mining and corporate restructuring and relevant experience in developing countries. Those firms which may be interested in seeking an equity interest in the divested company should also indicate so.

5. The Government of Guyana has applied to the World Bank Group for partial financing of this assignment.

6. Letters of interest, with accompanying material, should be submitted by September 12, 1991 to Mr. Bernard Crawford, Chairman, BIDCO, 71, Main Street, Georgetown, Guyana. Fax 59-2268513.

7. Please note this is not a request for proposals. After a review of the letters of interest, BIDCO/GUAYMINE will invite 4-6 firms to submit proposals for evaluation.

## LEGAL NOTICES

## ORCHIDPOND LIMITED

Registered manager 245657 Nature of business: Property Developers and Managers

Date of appointment of joint administrative receivers: July 1991

Name of person accepting the joint administrative receivers: British & Commonwealth Merchant Bank, Plc

Christopher John Hughes and Christopher John Andrew Barker, Joint Administrative Receivers (Office holder no 2041 and no 552)

Cork City Shetley House, 3 Noble Street, London, EC2V 7DD

SC7 7DD

## WALES

The FT proposes to publish this survey on 16 September 1991. It will be of particular interest to the 130,000 directors and managers in the UK who read the FT. If you want to reach this important audience, call Clive Radford on 0272 223974 or write to him at Merchant House, Wapping Road, Bristol BS1 4RW.

Data source: BMRC Business Survey 1990

## FT SURVEYS

## CONSTRUCTION CONTRACTS

## Waterloo terminal project Croydon retail scheme



BERNARD SUNLEY & SONS has been awarded the construction contract for a £30m retail development at Croydon's Whitgift Centre by developer Chartwell Land.

The 55,000 sq ft scheme will comprise 12 units and two kiosks on space made available by the redevelopment of the Woolworths store and the addition of three units on North End Road, one of which was completed earlier this year.

Completion will be phased to enable tenants to begin trading by early 1992.

Construction orders worth £17m have been won by JACKSON GROUP, including an £8.4m road improvement on the A12 dualling of a road at Southernhay, Basingstoke, sea defence contracts and a £2m distribution centre.

Three companies in the construction division of TRAFALGAR HOUSE have won contracts worth about £14.5m. Willmett has contracts for two three-storey extensions and a leisure spa at the Rommeymead Hotel worth £5.2m, a £3.15m contract for the design and construction of generator facilities and a film contract from Derswells District Council for small business units in Croydon.

Mine Engineering Services has new work valued at £2.45m and contracts worth £2.35m have been awarded to Cementation Piling and Foundations.

HENRY BOOT has won contracts worth £4.5m. Headlining the list is the construction of offices and depot for British Gas in Hertford Road, East Ham. The 50-week project is valued at £4.4m. The company has also won a £1.6m contract for a fitting out to a new extension and alterations to a Littlewoods store in Bromley.

\*\* \* \*

Hall & Tawse Group Limited CONSTRUCTION DESIGN AND BUILD SPECIALISTS Hall & Tawse Group Limited, 100-102 Chancery Lane, London EC4N 1EP Telephone: 0171 2237970 Fax: 0171 2246464

tings such as windows and corners.

Each of the 55 flats at 108-123 Westbourne Terrace will be thoroughly repaired and improved and an additional 13 flats created in the basement areas and one on the ground floor.

New wiring, plumbing, stor-

age heating, kitchens and bathrooms will be installed in each of the flats and, externally, the building will be re-roofed and re-rendered in the traditional style.

Work will be divided into two phases with final completion programmed for January 1993.

New wiring, plumbing, stor-

age heating, kitchens and bathrooms will be installed in each of the flats and, externally, the building will be re-roofed and re-rendered in the traditional style.

New wiring, plumbing, stor-

age heating, kitchens and bathrooms will be installed in each of the flats and, externally, the building will be re-roofed and re-rendered in the traditional style.

A contract for £2.6m has been awarded by British Tele-

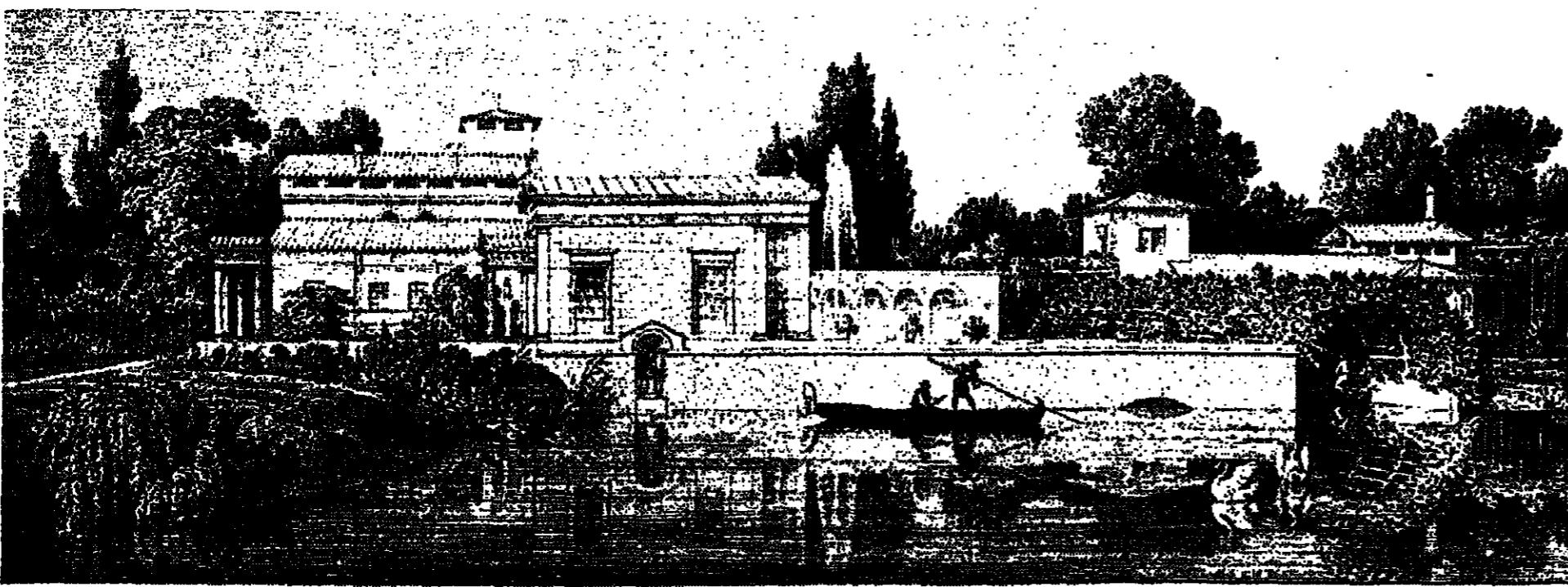
communications for fitting out its office block, Guidon House, Arcelik Park, Fleet in Hampshire.

Other projects include the installation of tanks and piping at the Wimborne works of Western Water Services (£267,000), and an electric control and switch room with site works for Manweb at the Deeside Industrial park in Clwyd, Wales.

A contract has also been awarded by ICI for the construction of a tablet production facility at Macclesfield (£456,000); Royal Liver-

pool University Hospital NHS Trust - alterations and relocation of Social Services Department within the hospital (£114,000); and Rochdale Borough Council - a two-storey extension to Matthew Moss School (£263,000).

A



View of the Gartnerhaus from the lake at Potsdam, by Karl Friedrich Schinkel: one of the exhibits at the Victoria and Albert Museum

## ARCHITECTURE

## Complete heaven for the Potsdam gardener

Colin Amery admires the work of Karl Friedrich Schinkel, currently being exhibited in London

I would like to apply for a new job. I am not sure whether I am entirely qualified nor indeed whether the post still exists. I would like to be the court gardener at Charlottenhof in Potsdam. The reason has nothing to do with the changes of middle life or the ennui of August or even my recent enthusiasm for gardening. The reasons are purely aesthetic and architectural. My idea of complete heaven is the house designed for the gardener at Potsdam in 1835 by Karl Friedrich Schinkel. Paintings and drawings of this glimpse of Paradise can be seen in the excellent new exhibition at London's Victoria and Albert Museum, *Karl Friedrich Schinkel: A Universal Man* (sponsored by BMW (GB) Limited, which runs until October 27).

The triumph of the gardener's Italianate villa with its vines covered over glass and terraces relies upon the successful organisation of a series of idyllic vistas that depend upon the happy marriage between landscape and architecture. It is one of Schinkel's happiest creations. He was born in 1801 and until his death in 1841 he was the key architect and designer for the emerging Prussian state. He is best known for his series of great classical buildings in Berlin. The Altes Museum, the Schauspielhaus (theatre) and the Neue Wacht (New Guard

House) are three of the great architectural glories of Berlin.

The planning of this exhibition fortunately coincided with German reunification and the decision to make Berlin the capital of the new Germany. To bring together Schinkel's remarkable drawings and paintings in London from collections on both sides of the former divide has been a delicate and difficult exercise in cultural organisation. Michael Snodin at the V&A, who organised the show and edited the excellent catalogue, is to be congratulated. The exhibition is timely, clear and concise. Because the original material is so wonderful, one's eye is drawn away from the strange choice of "Germone-pink" walls and the unsatisfactory lighting, but it has to say, sadly, that the exhibition design (an in-house V&A job) is disappointing.

Schinkel was the chief state architect in Prussia, yet his life was not dedicated to bureaucracy but to a conviction that the human condition could be uplifted by exposure to an education in aesthetic perfection. Schinkel himself possessed a deeply rooted sense of beauty that encompassed to a remarkable degree both the classical and the romantic. In the finest examples of his work, which are in my view his more intimate houses, villas and pavilions for the

Prussian royal family, he achieves a harmony of art and nature that is near perfection. This harmony is also achieved in the interiors of the buildings, where furniture and artefacts and arrangements of colours are all the product of Schinkel's imagination. His own description of the Charlottenhof complex of buildings in the park at Potsdam is poignantly beautiful and yet practical and instructive.

Who could fail to visualise the controlled and picturesque beauty that Schinkel envisions in these words: "Around this small villa there is an Italian kitchen garden, well stocked with produce, where artichokes and other tall plants flourish among grapevines densely twining round trees. The whole site forms a picturesque ensemble offering varied and agreeable views, secluded places to rest, comfortable rooms and open spaces in which to enjoy country life. By its nature it is capable of infinite extension and enrichment, thus giving continuous creative satisfaction." It is these last three words that any visitor to the Schinkel exhibition should keep in mind when looking at the exposure of his entire career that is so enjoyable visible at the V&A.

Schinkel excelled as an artist, as an architect and as a learned innovator. His paintings and stage designs at the V&A show a remarkable mastery of

both perspective and light. The great painting of a medieval city with a gothic cathedral beneath a rainbow suggests the sublime possibilities of a romantic world. But look at the ordered arches of stars in Schinkel's stage design for the Hall of the Queen of the Night in Mozart's *The Magic Flute* and you are in another realm, other traditions and sensitivities are brought to life with incomparable magic.

We are dealing here with a man who conceived a classical Berlin almost as a great painted panorama. He also achieved it in three dimensions. Schinkel's own paintings shine out with perfect detail but he was particularly well served by the paintings of his work by Carl Daniel Freydrich (1811-87). There are several of the superbly crafted drawings and watercolours of Schinkel and others that makes this exhibition such a delicious feast for the eyes. It is also instructive for our own architects and designers to see a visual world that was so creatively shared by both artists and architects.

There are only brief moments when Schinkel's hand falters and a sense of later 19th century heaviness comes over some of the furniture, silver and

decorative artefacts. Sometimes a complexity of ornament seems to overwhelm the early clear vision, especially in the silver and textile designs.

Schinkel visited the industrial cities of Britain in 1826 and he was fascinated by the functional tradition of brick warehouses and factories. This visit led him to design simplified, classical brick and gothic buildings that were innovative and influential. The sketches that he made during his British travels are exhibited in a parallel exhibition at the Goethe Institute in London until September 20.

This is Schinkel's summer in London. There are to be study days and a symposium (details from the V&A) and both exhibitions deserve more than one visit. The catalogue is in fact the first major collection of writings in English on Schinkel and it is invaluable, in spite of the disappointing quality of colour reproduction. *Karl Friedrich Schinkel: A Universal Man* is edited by Michael Snodin and published by Yale (£30 or £18.95).

I would recommend several visits to the V&A – and then, with Schinkel in your head, visit Berlin and Potsdam in the late autumn when his genies can be enjoyed in the elegiac autumn light.

## Angel City

GROVE THEATRE, LONDON W10

The Royal Shakespeare Company is about to launch a production of *Curse of the Starving Class* by the American playwright, Sam Shepard. For that play you will have to wait until September.

Meanwhile, anyone who wants a foretaste of how electric Shepard's plays can be should hasten to the pub theatre at 139 Ladbroke Grove in Notting Hill where there is a stunning performance of one of his earliest works, *Angel City*.

I should add one qualification: the play might not seem up to much if it were not so magnificently done. There is nothing in the text that is outstanding or even particularly memorable. It is the performance that matters.

This production by the Frontline Theatre Company has everything and, what is more – would other directors please note – it is played fast. Even when it is alluding to

*Waiting for Godot*, the pace does not slow.

In short, it assumes an intelligent audience that wants more, not pauses.

Shepard is an actor as well as a playwright. The apparent influences on him are jazz, rock and roll, abstract American art, boxing and Hollywood. The talent in *Angel City* is the way he puts them all together.

The set is a huge camera. Sometimes you see it like an audience watching a screen for the finished product. At others the camera is being used to make the movie. Indeed the set itself could stand as an example of American art in the early 1990s.

If there is a theme, I suppose it is the juxtaposition of the decay of Los Angeles and the dreams of Hollywood: illusion and reality.

Such story line as there is revolves around people trying to make a disaster movie while

disasters go on around them: there is a particular obsession with skin disease, which comes out in luminous green. All the characters are seeking some magical cure-all.

But forget such attempts to rationalise. This is a spectacle, not a treatise. The tympanist, looking for the magic rhythm, also tries imaginary eggs on the top of his drums. The boxing gives way to some highly impressive Japanese dwelling.

The cast alternates between performing directly and watching what happens as a movie. "We shall chew ourselves into oblivion," one of them says as they eat the popcorn.

The direction is by Andrew Pratt. I saw no flaws, whether in lighting, playing, staging or anything else. The production runs until August 23.

Malcolm Rutherford

## BBC Welsh Symphony

ROYAL ALBERT HALL

Like the BBC Philharmonic (see Northern), this orchestra has long ceased to be a poor relation. On Friday the second of their three Proms this season displayed them in impressive form: stylish in Mozart, imaginative and alert in Tippett, richly blended in Richard Strauss, Tadaaki Otaka, their principal conductor since 1987, must have something to do with that, and he has done it very well.

Their Mozart was the Symphony no.32 in G – really just an "Ouverture" in three continuous sections, but strong and dramatic enough that Mozart twice gave it a re-reading for use on later occasions.

Otaka ensured it a clean cutting edge, and a fine breadth of contrasts. By comparison with Strauss's *Ein Heldenleben*, later, it was mere needlepoint; and yet the reduced Mozart band had established its own high-definition scale effortlessly.

The hugely expanded band for Strauss's proud auto-portrait sounded no less polished. His lushest E-flat tapestries glowed serenely, the nagging critics (ridiculous woodwind) were characterised with proper malice, the battle-royal was a cogent conflict rather than a noisy rout. Above all, as "guest leader" the BBC WSO fielded Lynn Fletcher, who impersonated the hero's wife – florid solo violin – in rare sensuous depth, making other renditions appear thin and pallid.

Though she got a well-earned ovation, one facet was missing. The wife is of course Pauline, famously petulant and sharp-tongued, and the third movement consists of brave, mainly orchestral gestures which are cut short by the violin flights – volatile and willful, usually sweeping up to a piercing sting. Instead, Miss Fletcher played them "beautiful", without contrary hints; since the stings never hurt, there was no comedy of conflicting manners. In terms of

the symphonic drama that was a loss.

Between those pieces came Tippett: the 1955 Piano Concerto, with Peter Donohue as soloist. Playing from the printed score, he seemed sympathetic and technically very sound, and Otaka drew the right eager shimmer from his orchestral players. The concerto was new to my concert guest, who was sorry that the piano-part seemed to be submerged so often. That wasn't the fault of Otaka's orchestral

balancing. I thought, nor of the Albert Hall acoustic, nor any weakness in Donohue's dynamics. What the piano needed was not an extra degree of *forte*, but a stamp of vivid character which would hold the ear throughout. His careful sympathy didn't run so far as that.

Not for the first time, I wondered whether this doughty, generous performer hadn't stretched himself too thinly. Some of the events are very

David Murray

Conservatoire at the Palacio Miramar (Sat). A group of young pianists perform the complete

Mozart piano sonatas each

evening at 20.00 from tomorrow

11 Fri in the Palacio Miramar.

SCHLESWIG HOLSTEIN

This week's highlights include concerts in Flensburg (tomorrow) and Eutin (Wed) by the Orchestra of the Kirov Opera, Leningrad, under its chief conductor Valery Gergiev. Both programmes are devoted to Prokofiev.

The other large-scale event features the Festival Orchestra at the Lubek Stadthalle (Sat) and Kiel Castle (Sun), with Dmitry Kitayev conducting Barber's Adagio for Strings, Stravinsky's Firebird Suite and Prokofiev's Fifth Symphony. Ends Aug 25. (431) 557080

TANGLEWOOD

On Thurs, Ivan Moravec gives a recital of piano music by Debussy and Beethoven. Charles Dutoit conducts the Boston Symphony Orchestra on Fri and Sat, with music by Kodaly.

Hindemith, Schumann and Rachmaninov, followed by a concert by the Orpheus Chamber Orchestra on Sun. A different Mozart piano concerto features in each programme, with Jeffrey Kahane (Fri), Yefim Bronfman (Sat) and Cecile Licad (Sun) as soloists. Ends Sep 1. (413) 6371600

TORRE DEL LAGO

The Puccini open-air festival near Viareggio has a double-bill of Le Villi and Il tabarro (Thurs and Sun). Turandot with Ghena Dimitrova (Fri) and Madama Butterfly (Sat). Ends Aug 18. (Pazzale Belvedere 4. 55048 Torre del Lago).

This year's Lucerne Festival opens on August 17 with an open-air concert at Tribeschen conducted by Wolfgang Sawallisch, followed by a lakeside firework display. The festival runs till September 11. The most eye-catching feature is the extensive line-up of high-quality orchestras, conductors and soloists, which Lucerne regularly manages to attract despite an almost complete lack of state subsidy. Zubin Mehta brings the Israel Philharmonic for two concerts at the Kursaal (Aug 27, 28).

The first programme is devoted to Mahler's Fifth Symphony and the second to Mozart, with Radu Lupu soloist in the Piano Concerto No. 25. Claudio Abbado conducts the Berlin Philharmonic in music by Brahms, Mozart and Mahler. (Aug 31, Sep 1), and Riccardo Chailly conducts the Concertgebouw Orchestra in two programmes (Sep 3, 4). Including one devoted to Bruckner's Second Symphony and Frank Martin's Concerto for seven wind instruments and timpani. Lorin Maazel conducts the

Vienna Philharmonic in two concerts (Sep 5, 6), and the Orchestre de Paris plays under its chief conductor, Seiji Ozawa (Sep 7, 8). Recitalists include Murray Perahia (Aug 19), Alexa Weissenberg (Aug 23), and Jeannine Normand (Aug 25).

Several of this year's programmes are tailored to Switzerland's 700th anniversary celebrations. Mario Venzago conducts a concert performance of Othmar Schoeck's opera Venus, with a cast led by Frieder Lang and Lucia Popp (Aug 25). Schoeck also crops up in concerts conducted by Seewaldsch (Aug 17), Andreas Della (Aug 24) and Paul Sacher (Aug 25, 26). Sacher, who celebrated his 85th birthday earlier this year, has become a festival institution with his outdoor concerts at the Lion Monument, which this year feature the trumpeter Helmut Hardberger. Among other Swiss composers represented this year are Norbert Meier (whose Cello Concerto is to be played by Thomas Demenga on Aug 18) and Helmut Holliger.

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The first programme is devoted to Mahler's Das Lied von der Erde sung by Christine Cairns and Bjorn Haugen on Wed at Snape, and semi-staged productions of Le nozze di Figaro (Thurs) and Così fan tutte (Fri) by members of Claudio Desderi's Scuola di Musica from Tuscany. Ends Aug 31. (728) 452935

### FESTIVALS GUIDE

#### ALDEBURGH

This week's Snape Proms include a choral concert tomorrow at Orford Church, a performance of Mahler's Das Lied von der Erde sung by Christine Cairns and Bjorn Haugen on Wed at Snape, and semi-staged productions of Le nozze di Figaro (Thurs) and Così fan tutte (Fri) by members of Claudio Desderi's Scuola di Musica from Tuscany. Ends Aug 31. (728) 452935

BAYREUTH Today's performance is Lohengrin, conducted by Peter Schneider with Paul Frey in the title role, Eva Johansson as Elsa, Ekkehard Wäschiha as Telramund and Gabriele Schnautz as Ortrud. Tomorrow, Giuseppe Sinopoli conducts Dieter Dorn's cool, intellectual 1990 production of Der fliegende Holländer, with Bernd Weikl in the title role, Reiner Goldberg as Erik and Sabine Hass as Senta. James Levine conducts Wolfgang Wagner's 1983 staging of Parsifal on Wed, and the second of this summer's three Ring cycles begins on Thurs.

BREGENZ Tonight's concert by the Vienna Symphony Orchestra in the Festspielhaus is directed from the keyboard by Rudolf Buchbinder, who plays Beethoven's First Piano Concerto and Mozart's 20th, plus Mozart's Concert Rondo K382. Jerome Savary's lakeside production of Carmen can be seen tomorrow, Wed, Fri and Sat, with alternating casts. The final two performances of Richard Jones' production of Mazeppa are given in the Festspielhaus on Thurs and Sun.

EDINBURGH Anyone able to take in the opening weekend of this year's festival should snap up the performances of Mussorgsky's Khovanshchina by the Kirov Opera at Sat and the Lenkom Theatre of Moscow's Ostrovsky production at the Empire Theatre on Sun, leaving plenty of time next week for a dauntingly rich selection of other events. The opening concert in the Usher Hall

on Sun is a Mozart programme conducted by Yehudi Menuhin. Ends Sep 1. Official Festival: (31) 225 5756. Military Tattoo: (31) 225 1188. Fringe: (31) 226 5138

EPIDAUROS The drama festival at the Ancient Theatre of Epidaurus has two performances this week. Karolos Koun's Art Theatre production of Aristophanes' Clouds, on Fri and Sat. Ends Aug 26. Ticket information from Alte Oper Festival box office (1 322 1459) during the week, or the Epidaurus Theatre on days of performance (753) 222020

GLYNDEBOURNE This year's festival is devoted entirely to Mozart. The week begins with Don Giovanni tonight, conducted by Donald Runnicles, with a cast led by Olaf Bell in the title role. Marie McLaughlin as Donna Elvira and Alison Hagley as Zerlina (also Thurs and Sun). Nicholas Hytner's much-admired production of La clemenza di Tito (tomorrow and Fri) is conducted by Andrew Davis, with Philip Langridge in the title role and Ashley Putman as Vitellia. Peter Sellars' trendily produced Die Zauberflöte returns (Wed and Sat) in a new Anglo-American translation by Alice Goodman. Ends Aug 23. (273) 541111

LOCARNO Tonight's recital is by the tenor Jerry Hadley. Tomorrow, Alicia de Larrocha plays piano sonatas by Beethoven and Mozart, and on Wed Dizzle Gillespie and Miriam Makeba join forces. The Chicago Symphony Orchestra gives three weekend concerts, Zubin Mehta conducts Mahler's Fifth and Bruch's Violin Concerto, with Midori (Fri), and Barber's Knoxville 1919 with the soprano Mavis Martin and Beethoven's Ninth Symphony (Sat), followed by a Gershwin evening (Sun) conducted by Erich Kunzel. Ends Sep 2. (312) 728 4642

RAVINDRA Tonight's recital is by the tenor Jerry Hadley. Tomorrow, Alicia de Larrocha plays piano sonatas by Beethoven and Mozart, and on Wed Dizzle Gillespie and Miriam Makeba join forces. The Chicago Symphony Orchestra gives three weekend concerts, Zubin Mehta conducts Mahler's Fifth and Bruch's Violin Concerto, with Midori (Fri), and Barber's Knoxville 1919 with the soprano Mavis Martin and Beethoven's Ninth Symphony (Sat), followed by a Gershwin evening (Sun) conducted by Erich Kunzel. Ends Sep 2. (312) 728 4642

SAN SEBASTIAN The festival opens tonight with a concert of sacred music by Salieri and Mozart in the Santa Maria del Coro. Other events this week include a dance programme with the Ballet Lírico Staatskapelle conducted by Colin Davis, and on Sun a Vienna Philharmonic matinee with Abbado followed by an evening song recital by Jessie Norman.

SALZBURG The opera programme this year is all-Mozart: in the Grosses Festspielhaus, Soli conducts Johann Schatz's new production of Die Zauberflöte (Thurs), Muti conducts Don Giovanni with a cast led by Samuel Ramey, Edita Gruberova and Susanne Münzer (Fri) and Heinz Hollίndel conducts Le nozze di Figaro with Lyuba Kazarnovskaya, Thomas Allen and Ferruccio Furlanetto (Sat). In the Kleine Festspielhaus, Kurt Rydl sings Osmann in Entführung (Tues and Fri), and Muti conducts Così fan tutte with a cast led by Margaret Marshall, Ann Murray, Thomas Hampson and Deon van der Walt (Wed). In the Felsenreitschule, Seiji Ozawa conducts Idomeneo (also Thurs and Sun) and there is a final chance to catch John Neumeier's new ballet Requiem (Thurs). The concert programme includes tonight's performance of Mozart and Beethoven symphonies by the Dresden Staatskapelle conducted by Colin Davis, and on Sun a Vienna Philharmonic matinee with Abbado followed by Jessie Norman.

TOURS The festival opens tonight with a concert of sacred music by Salieri and Mozart in the Santa Maria del Coro. Other events this week include

## FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL  
Telephone: 071-873 3000 Telex: 822186 Fax: 071-407 5700

Monday August 5 1991

## The Yugoslav imbroglio

AN undeclared civil war is now raging in Yugoslavia. After the fighting in Slovenia between the federal army and the Slovenes, where a ceasefire is holding, attention has switched to the conflict between the Serbs and Croats. Together with Slovenia, Croatia declared its independence on June 25. But unlike Slovenia, which is an ethnically-homogeneous republic, Croatia embraces 600,000 Serbs, 12 per cent of the population. Many Serbs do not want to live in an independent Croatia. Even if they wished to do so, it is unclear whether Mr Slobodan Milosevic, the president of Serbia, would agree. His undeclared goal is the creation of a greater Serbia in which Serbs, Yugoslavia's largest ethnic group, would all live.

It is that goal which is now being systematically realised in Croatia. Day by day, villagers in ethnically-mixed communities in that republic are being forced to flee. Serbian nationalists, backed by the federal army, which was supposed to have provided a buffer between the two communities, are carving out the boundaries of a greater Serbia. Even if the fighting ended in Croatia, Mr Milosevic would continue to cause disruption in the central republic of Bosnia-Hercegovina, part of which the Serbs are already planning to annex. The wave of destruction and death has not deflected Mr Milosevic and his supporters from their goal.

### Serbia's intransigence

In order to put an end to the fighting, Croatia's government, and Mr Ante Markovic, the federal prime minister, asked the European Community to extend its mandate from monitoring the ceasefire in Slovenia, to Croatia. Yesterday, following talks with Yugoslav leaders, the EC troika of foreign ministers said their mission had not succeeded, clearly implying that Serbia's intransigence was responsible. Besides refusing to attend one of the joint sessions, Mr Milosevic had also ruled out any suggestions that the EC might, as a last resort, deploy an armed peacekeeping force.

The motives of the Serbian leader appear clear. He did not want EC officials to see at first

## Competition for the Post Office

THE government's proposals to open the Post Office to more competition have all the markings of a messy compromise. Having decided to further liberalise the mail market, Mr Peter Lilley, the trade and industry secretary, is being too timid. What is required is tougher regulation and much more open competition. Instead, the UK is likely to get weak regulation and limited competition.

Some of the proposals, which have been set out in the wake of the Citizen's Charter, are uncontroversial. If the Post Office fails to meet more demanding standards of service it will be under stronger obligations to compensate dissatisfied customers.

These proposals largely formalise initiatives which were already under way. But the strategy raises doubts in those areas where the government is attempting to break fresh ground. In particular, it wants to retain its prerogatives as the owner of the Post Office, at the expense of promoting the interests of consumers.

An apparently independent regulator, dubbed Ofpost, will be created, to be modelled, apparently, on such bodies as OfTEL in the telecommunications industry.

The danger is that Ofpost will prove no more than a puppet regulator. It will merely advise the secretary of state on how to exercise his powers to adjust prices, standards of service and financial targets. Surely Mr Lilley has enough advice from Poulson, the statutory post office users' watchdog, and his own civil servants? It is difficult to see what Ofpost could add beyond political window dressing.

### Fundamental problem

The fundamental problem is that the government is both the recipient of the financial surpluses the Post Office earns from its monopoly, and the industry's ultimate regulator. These two roles need to be separated, with the government handing over substantial powers to the regulator.

The government seems uncertain about the extent of the monopoly the Post Office should retain. At the moment it has a monopoly of letters priced at less than £1. The gov-

**A** year ago, Nomura Securities, the world's largest stockbroking company, could recruit the best of Japan's young people into its ranks. Today, some Japanese parents are telling their children to keep away.

When companies started their annual recruitment drives last week, securities brokers found the numbers of young people visiting their offices were down by a third from last year. That is just one measure of the damage done to the reputation of Nomura and other brokerage houses by the current stock market scandal.

The affair, which involves compensating favoured clients for trading losses, links with a gangster group and alleged cornering of shares, has humbled the whole industry. But none feels more humiliated than Nomura because its ambitions were so great: trading on the Tokyo stock market was to be the core of a diversified international financial services empire. Nomura planned nothing less than to span the world like a latter-day J P Morgan, to be the embodiment of the financial power which is Japan. Nomura executives dispensed largesse like princes – a donation to the Tate Gallery, a Japanese course at Eton, a grant to the Smithsonian Museum; anything which might enhance Nomura's place in the corporate pantheon.

The image was always something of an illusion. Nomura's success in becoming the world's largest broker owed less to its own skills than to the balloon-like expansion of the Tokyo stock market in the 1980s. Despite the international trappings, overseas profits have never exceeded 10 per cent of the group total.

Nomura remains deeply rooted in its domestic core business of trading Japanese stocks and bonds. Executives who served there have found themselves side-lined when they returned to Tokyo. The relationships which had been built to Nomura were those which were always natural with Japanese corporations, financial institutions, wealthy business, and the Ministry of Finance.

The Tokyo financial community has long known that the relationships had an incestuous side. It also suspected that some of the clients reached into the criminal world. But the scandal has forced Nomura and other brokers to confront these facts.

Some of Japan's foreign critics argue genuine reform is impossible: that it is second nature for Japanese companies to favour important clients at the expense of the rest; that because finance ministry officials who regulate the market are frequently given senior jobs in the finance industry upon retirement, they are too close to their charges to take sufficient care of outsiders' interests; that corporate Japan exploits the individual and always will.

These charges exaggerate the extent to which Japan differs from other industrialised countries. New York and London are not short of companies discriminating in favour of big clients. Nevertheless, there is an element of truth in the allegations.

The scandal has dramatised the differences and Nomura now has a chance to make amends. The company is not alone: other Japanese brokers and the authorities must share in the reform process; but Nomura is the industry leader, and by its standards the industry will be judged.

At this stage, it is difficult to say how far the changes will go. It seems unlikely the Tokyo will quickly become as open a trading centre as London or New York. But it seems probable it will be more open than it is now.

Nomura has made a start on the road to reform with the resignations of Mr Setsuya Tabuchi, chairman, and Mr Yoshimasa Tabuchi (no relation), presidents who have jointly taken responsibility for the affair. To symbolise its determination to break with the recent past, Nomura has for the

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Mr Aida spent his working life at Nomura Securities and was an executive vice president before being moved into the investment trust company in 1983.

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The day after he took office, Mr Aida called a meeting of Nomura's top managers and urged them to remember the company's history and the standards of some former presidents including Mr Tokueiichi Nomura, the founder, and Mr Kiuchi Kitaura, head of the company in the 1970s. Mr Nomura's motto, Mr Aida told his staff, was: "Prosper with your client". Mr Kitaura's was: "A stream of clean water runs through Nomura".

The problem is that Mr Aida has a rosy vision of Nomura's past. The attitudes which spawned the current scandals have back much further than the past five years. Cosy relationships between brokers and big clients have characterised Japanese financial markets since before the second world war. The US Occupation authorities recognised this when they introduced legislation separating banking and trading. Japanese officials at the Ministry of Finance first warned companies about compensating clients for losses as long ago as the 1950s. A directive instructing brokers against buying shares for one favoured client and then recommending the same stock to others dates back to 1974.

Members of the Japanese establishment have long looked down on brokers as *cabuya* (barmy-bops) even if they themselves were making the profits from securities trades.

In the US, when securities regulations are broken, companies and individuals are frequently accused and named in public. In Japan, few public records exist because the Ministry of Finance prefers to enforce its will by administrative guidance, unpublished exhortations and warnings. So it is rarely possible to prove that a particular company broke or bent the rules.

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One by one, icons of the 1980s have toppled. Champagne sales are flat and Porsche volumes have crumpled. Now, even the mobile telephone – hailed as a great British success story, championed by government as a demonstration of the advantages of competition, and acknowledged as an essential achievement – is in trouble.

Three technologies are competing – cellular, telepoint and Personal Communication Networks (PCN).

• Cellular, operated by Cellnet and Vodafone, uses old technology and works by connecting users to a network of receiving stations.

• Telepoint is a digital system designed to provide a lighter, cheaper and more reliable service than cellular. Its main drawback is that subscribers cannot receive incoming calls.

• PCN is also a digital system aimed at a mass market, which receives incoming calls.

Dark clouds hang over all three rival systems. Cell volumes at Cellnet and Vodafone have slowed and, for the first time, subscriber numbers have fallen. At the same time telepoint has reached a debacle. Three of the original four consortia licensed by the government have pulled out after sustaining significant losses.

The question for the industry is whether such problems are merely a consequence of recession or whether the sector has simply run out of steam.

The answer is crucial for the cellular operators and those with licences for PCN. Stakes are high. At least \$4m will be required to set up the digital networks necessary for PCN and cellular's next generation of services based on GSM, a pan-European digital standard.

The potential rewards – if the early outstanding success of cellular can be repeated – nonetheless remain great.

For the government, too, the success of PCN is critical. The technology represents the key to its ambitions to create competition against BT in local telecommunications markets.

Doubts about the mobile market were far from evident in 1989 when the government asked companies to apply for PCN licences. Corporations worldwide fall over themselves in the race. The jubilant winners included Mercury PCN, a consortium of Mercury Communications, Motorola of the US and Telefonica of Spain; Unitel, made up of STC, US West, Thorn EMI and Deutsche Bundespost; and Microtel, consisting of British Aerospace, Matra of France, Millicom of the UK, Pacific Telesis of the US and Sony of Japan.

The victorious consortia were encouraged by predictions

## Sink or swim at the deep end

Question-marks hang over the future of the mobile telephone industry, says Paul Abrahams

tions of 10m customers by the end of the decade. Their vision was that subscribers would swap their ordinary phones for PCN's pocket-sized personal handsets. PCN would provide a service to people, not places.

But the outlook has changed. The cellular sector is in the grip of recession. Last month, Securicor, the UK group which owns 40 per cent of Cellnet, reported a 29 per cent fall in its cellular subsidiary's profits.

The average income at Vodafone from each subscriber has fallen from \$700 to \$700, the company said in July.

Moreover, PCN's customer predictions look redundant in the forecasts made by the telepoint industry, which projected 13m subscribers by 2000. At the moment, telepoint has fewer than 10,000. The combined losses at the four telepoint consortia are probably near 100m.

But such figures are trifling compared with the financial gloom that may await PCN and the cellular operators. Installing a nationwide infrastructure could cost the PCN operators up to \$1m each. The GSM digital networks that Vodafone and Cellnet will have to create will probably cost half that amount.

In spite of propaganda and posterizing to the contrary, there has been a distinct failure of nerve since 1989 among the PCN consortium shareholders. A stable base of corporate musical chairs is under way. And nobody wants to be sitting on a PCN licence when the music stops.

The bewildering maneuvering in the sector last month included:

• BT acquired the remaining stakes in Microtel from its three fellow founders Millicom, Pacific Telecom and Matra, then sold Microtel to Hutchison Telecommunications (UK), a subsidiary of the Hong Kong-based Hutchison Whampoa group, in return for a 30 per cent stake in the UK subsidiary.

• Motorola sold its 40 per cent stake in Mercury PCN to Cellnet and Wireless, Mercury Communications' parent company.

• Mercury PCN and Unitel agreed to merge some of their infrastructure in a move to



goods experts rather than the telecommunications specialists used so disastrously by most telepoint operators.

The shareholders' unease is mirrored by analysts who have forebodings about what PCN might do to the groups which have stayed in the sector. They face considerable problems.

Not least, they need to manage vast capital investment programmes and successfully install unproven technology if they are to generate the revenue necessary to fund their businesses.

All three consortia agree that the main challenge is to hit volume sales quickly. They dismiss any comparison with telepoint's poor take-up by arguing their product is infinitely superior – not least in the fact that it can take in incoming calls – and will be marketed by fast-moving consumer

Mr Lawrence Heyworth, an industry observer at Robert

for some time. But its reorganisation must have gained greater urgency since Hanson's arrival. ICI now appears to be setting higher targets for itself and mentioning shareholder value more often.

This raises an obvious question: why do ICI shareholders

need Hanson to apply pressure, rather than exerting their own influence directly? Institutional shareholders do talk to the companies in which they invest, but generally they are cautious about intervening.

Of course, Mr Norman Lamont, the chancellor, who described the portable telephone as "one of the greatest scourges of modern life", may despair at the thought of 13m of the machines clogging streets and restaurants. Nevertheless, if PCN manages to fulfil its potential, it could turn the mobile telephone from a status symbol into a ubiquitous personal tool.

Further articles on digital mobile phone systems in Europe and the US will appear on the technology page this week.

Fleming Securities, says the greatest danger for the PCN groups is that they will fall into the trap of the British satellite broadcasting companies, which ended up investing ever greater sums to guarantee their original investment.

"PCN's business plans just do not add up," says Mr Chris Gent, Vodafone's managing director. "They need 10,000 sites to cover the country and will be going for low-margin domestic subscribers. At best it will be 10 years before the PCN operators are profitable."

However, if successful, PCN could significantly erode the position of cellular companies which boast that they are the world's most profitable private sector mobile telephone operators. The danger is that both Cellnet and Vodafone's margins could be threatened by low-margin PCN operators. Both the cellular companies are attempting to respond to the danger by investing in GSM which will be cheaper and more reliable than existing cellular technology.

The infrastructure costs will also be cheaper than those for PCN because GSM's wavelength permits stronger signals. With fewer base stations required to cover the UK, both Cellnet and Vodafone will have nationwide networks well before the PCN operators.

Nevertheless, observers are concerned that the cellular operators could find themselves making a painful transition from low volumes and high margins to high volumes and low margins. Even if the PCN operators fail, they could hit cellular business hard.

For all groups in the mobile communications business, the future looks obscure. The crunch between PCN and cellular will come in the mid-1990s.

However, Mr Harper at Unitel questions whether it will be the cellular companies that will suffer the most from PCN, or BT.

The new wave of technology, if successful, could fulfil the government's ambitions by eroding BT's domination of 98 per cent of voice traffic and its virtual monopoly of local networks.

First, it could be helpful to ICI's management. In any large company, there are actions management would like to take, but which often end in compromise. This is especially true of negotiations over working practices and wage settlements. ICI, for example, has recently announced the successful conclusion of a deal with its unions. It stresses this was virtually completed before Hanson's intervention. Yet such negotiations must become easier when the wolf, or common enemy, is at the door.

This may sound as if Hanson's presence is unhelpful to ICI employees. We should not, however, ignore what might happen in the absence of pressure from Hanson. Large

organisations can easily grow

## PERSONAL VIEW

# Why pressure from Hanson may help ICI

By Paul Marsh

"We're from head office. We're here to help you", is a statement which ranks alongside other great business lies such as "the cheque is in the post" and "the accounts represent a true and fair view". The phrase was doubtless caused by smirks at ICI. For now ICI itself has an unwelcome visitor. The calling card says: "We're from Hanson. We're here to help you."

ICI is the UK's largest manufacturing company. It is a world-class company. Hanson, on the other hand, is a world-class master of the bid and done. Hence the public interest in ICI. Hanson acquired its share of ICI.

Most commentators have focused on the prospect of a bid for ICI. This is not surprising since Hanson's usual way of helping is by first obtaining control. The public debate has therefore concentrated on whether a bid by Hanson would help ICI shareholders (including Hanson), and whether it would help or damage the wider national interest.

No bid has yet emerged; nor has ICI responded to Hanson's suggestions of co-operation. Yet even without co-operation or a bid, Hanson's presence may still be helpful. But to whom, and how?

First, it could be helpful to ICI's management. In any large company, there are actions management would like to take, but which often end in compromise. This is especially true of negotiations over working practices and wage settlements. ICI, for example, has recently announced the successful conclusion of a deal with its unions. It stresses this was virtually completed before Hanson's intervention. Yet such negotiations must become easier when the wolf, or common enemy, is at the door.

This is partly because successful interventions require time, effort and collective action, which can be difficult to orchestrate. In addition, it can be hard to second-guess the incumbent management unless matters have already reached a sorry state, which in ICI's case they have not.

Hanson, on the other hand, can more readily exert influence. Unlike the institutions, it stands ready with a key resource – a management team which could parachute in. Hanson's power to influence

ICI thus derives from a credible threat: its ability to launch a fully-fledged bid.

Many have argued that Hanson should be prevented from making such a bid. This view is not restricted to traditional interventionists. It is shared by those who feel uneasy about the prospect of this particular acquisition. There is an important parallel here with democracy. We must defend the system even though it yields governments which many voters do not support.

In the case of Hanson and ICI, we should trust the electorate and shareholders. Certainly if the institutions were faced with a bid for ICI, they would not sell out lightly.

There would simply be too much at stake for them to do otherwise.

Both shareholders and

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r director of the Cancer

## LETTERS

### When standard monetary theory says money stock is demand determined

#### Competitive interest rates in UK banking

From Mr Paul Worth  
Sir, Immediately before the BCCI affair hit the headlines, the UK high street banks were coming under increasing attack for their uncompetitive interest rates.

If, as a result of the Western Isles and other public bodies having lost funds with BCCI, a list of "approved banks" should be forthcoming for the placing of public funds, it is to be hoped that it will not be restricted to the UK clearers.

If base rates fall and banks widen their spreads to take up the slack, the chancellor can expect only the banks and FT-100 companies and the like with their treasury departments to be able to benefit. But what about the rest of the economy?

The Office of Fair Trading is apparently to look into UK banking, but what of the Monopolies Commission? It seems one will soon be able to buy a pint of beer in the UK at a competitive price – but a £100,000 loan still costs the same in Land's End as in John O'Groats.

Paul N Worth,  
chief financial officer,  
American Express Bank  
(Luxembourg) SA,  
34 Avenue de la Porte Neuve,  
L-2227 Luxembourg

Fax service  
LETTERS may be typed on 071-874 2600. Please use double spacing and hand-underline. Please set the machine for fine resolution.

### Tito's Yugoslavia no less calamitous than other one-party states

From Nona Beloff  
Sir, The FT will not contribute towards "clarifying the ultimate political objective" in Yugoslavia (Foreign Affairs, July 31) if it clings to Titoist imagery and continues spreading the hoary myth that his "socialist market economy" was "relatively successful".

The record shows, on the contrary, that in misallocating resources, in infantilising the workforce and in exacerbating corruption, it was no less calamitous than any of the other brands of one-party collectivism now being so painfully eliminated. It was true that during the post-war period, while the peasants were being forced into the

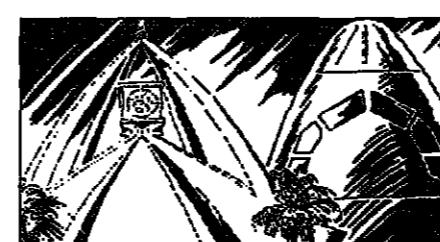
cities and provided cheap labour, there was a period of rapid industrial growth very comparable to the industrial boom in the USSR under Stalin.

After his break with Stalin, Tito could depend on the west for unconditional aid and unrepayable loans and, when this dried up in the 1970s, on an influx of petrodollars from western banks and businesses. They had to learn the hard way that Tito's system could not and would not guarantee repayment.

As elsewhere in the communist world, factories produced goods that nobody wanted and workers were – and still are – paid nominal wages for nominal

# HEATHROW TO DUBAI

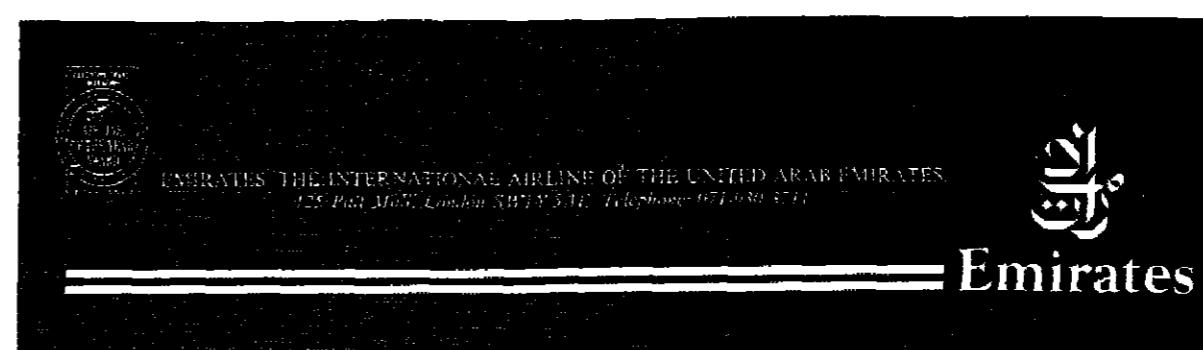
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# FINANCIAL TIMES

Monday August 5 1991

**WIPAC**  
AUTOMOTIVE PARTS  
& ACCESSORIES

Bush administration counters allegations of inactivity and CIA illegality

## BCCI set to face more charges in US

By Alan Friedman in New York

NEW indictments of the Bank of Credit and Commerce International (BCCI) and its top officials are likely to be presented in the US in the next four to six weeks, according to Mr Richard Thornburgh, the US attorney-general.

Mr Thornburgh said yesterday he expected the new indictments to cover money laundering and bank regulatory offences and to be handed down "in a month or six weeks".

He said the indictments would come from federal grand juries that are meeting in Atlanta, Miami, Tampa and New York.

Over the weekend a key witness in the BCCI affair arrived in New York and is expected to appear this week before a Sen-

ate subcommittee.

Mr Masihur Rahman, the former chief financial officer of BCCI, has been gagged from speaking publicly about the bank since May.

Senator John Kerry, the Massachusetts Democrat whose foreign relations subcommittee is leading the BCCI investigation in Congress, said Mr Rahman flew from London to New York on Saturday amid concern over his safety.

In May, BCCI lawyers sought an injunction from the High Court in London to prevent Mr Rahman from speaking in public about the BCCI affair. The injunction was not granted formally, but the former BCCI executive gave an undertaking to speak only to the Bank of England, the Federal Reserve

and US prosecutors.

These developments came as the Bush administration went on the offensive at the weekend in an attempt to quash allegations that the Central Intelligence Agency (CIA) made illegal use of BCCI, and that other US government departments were slow to investigate the bank scandal.

Mr William Webster, the CIA director, broke his silence on Saturday by insisting the CIA did not use BCCI for unlawful activities, and that it had reported signs of criminality to other US agencies.

"I believe the American people can trust the CIA," Mr Webster said, adding that many of the CIA's dealings with BCCI occurred from UK customs agents.

President George Bush, also speaking for the first time about BCCI, defended Mr Robert Gates, his controversial nominee as the new CIA director, in the wake of charges that more than two years ago Mr Gates failed to disclose the CIA's links to BCCI.

The charges have come from Mr William von Raab, the former commissioner of customs, who said that in 1988 Mr Gates provided him with a CIA memo on BCCI.

Mr von Raab said that Mr Gates made no mention to him of the CIA's numerous accounts at the bank or its use of BCCI to fund covert operations. The customs chief subsequently learned about the CIA's use of BCCI from UK customs agents.

In reply to allegations that the Department of Justice had sought to impede the investigation of BCCI, Mr Thornburgh, the attorney-general, speaking in an interview with CBS television, said they were "categorically false".

This charge has come from Mr William von Raab, the former commissioner of customs, who indicated BCCI on fraud charges last week. It has also come from Senator Jesse Helms, the right-wing Republican from Senator John Kerry, the Massachusetts Democrat, and from Mr William von Raab, the commissioner of customs in the Reagan administration.

Bank shutdown, Page 7  
Observer, Page 12

## Israelis look for peace at a very reasonable price

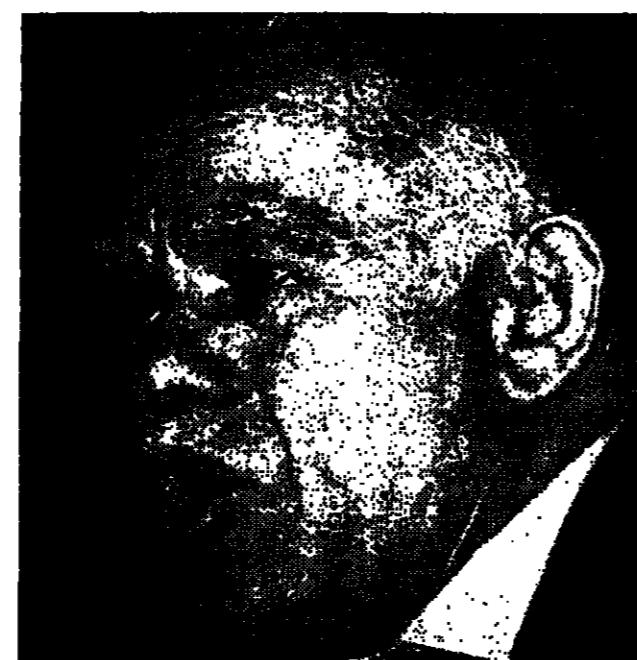
Yitzhak Shamir has outflanked his enemies, writes Victor Mallet

ISRAELI MINISTERS can hardly believe their good fortune. They are approaching the proposed Middle East peace conference in October armed with the knowledge that they have made only minimal, procedural, concessions to Arab demands and that Mr Yitzhak Shamir, their prime minister, does not intend to yield much more ground if and when the talks begin.

Even a year ago, it was unthinkable that Israel and Syria could talk peace unless Israel were prepared to give up most of the territory it won in the 1967 war (as demanded by UN resolutions), but many Israelis now regard "peace for peace" – instead of "land for peace" – as a real possibility.

The right-wing coalition cabinet showed its gratitude to Mr Shamir yesterday by voting overwhelmingly in favour of his qualified agreement to attend the conference sponsored by the US and the Soviet Union.

At the age of 75, Mr Shamir has won the trust of most Israeli Jews. He is seen as moderate enough to bend to US pressure and to negotiate with



Shamir's cabinet backed qualified acceptance of peace conference after fears that Israel could become isolated of the peace conference as a "yes". The Palestinians, though, have so far managed to make their arguably reasonable demand for the right to choose their own delegates look like a "no".

Israelis, however, harbouring fears that their country will be trapped by the peace conference and dragged into concession after concession by the momentum of the negotiations that follow.

However, Mr Arye Deri, interior minister, reflected the optimism felt by the most of the cabinet. The developments of the last year, he said, could not have come about without the assistance of Heaven. Mr Shamir agreed.

## More changes likely to US banking bill

By Peter Riddell, US Editor, in Washington

FURTHER changes to proposals for comprehensive reform of the US banking structure are likely before the legislation is finalised in October or November. The proposals have been approved by the Senate and House Banking committees, but the votes were so close on several key provisions that further changes are likely.

The Senate Banking committee approved the measure – to remove many restrictions on banking operations – by 12 votes to nine, before Congress started its August recess at the weekend.

Several senators warned that a number of issues would be reopened when the bill came

on to the floor of the Senate, and banking groups gave a mixed reception to the vote.

Nevertheless, in spite of considerable doubts at each stage, a broadly comprehensive plan has survived intense lobbying and manoeuvring in both banking committees and now looks likely to become law later this year.

The next stages will be further debates by House committees, lengthy debates on the floor of both chambers and then a joint conference to produce an agreed version.

While there are significant differences between the Senate and House versions, both measures would recapitalise the nearly insolvent fund which

guarantees bank deposits by allowing short-term borrowing up to \$70bn, would permit banks to set up nationwide branch networks and would end the ban on commercial banks affiliating with securities firms.

A big difference is that, while the House plan would allow commercial businesses to own banks in order to provide needed capital, the Senate version would maintain the ban.

Moreover, while the House committee plan would permit nationwide branches by the mid-1990s, the Senate committee version would allow state legislatures to decide to reopen the issue on the Senate floor.

The insurance industry won

## Hashimoto pressed to resign

Continued from page 1  
securities houses to favoured clients have severely hurt Mr Hashimoto, previously seen as an almost certain prime minister.

He had initially argued that his ministry was in no way responsible but then admitted that its supervision had been "lazy" and took a 10 per cent pay cut for three months. However, he still finds himself on the defensive.

Mr Toshiki Kaifu, Japan's prime minister, had called the special parliamentary session in an attempt to push through bills on political reform.

It had been assumed that the controversial proposals would either be stalled or heavily diluted, but they are now overshadowed by the politics of scandal.

## UK rejects uranium charges

By Ralph Atkins in London

MR PETER LILLEY, Britain's trade and industry secretary, yesterday denied claims that the UK had exported large quantities of uranium suitable for making nuclear weapons as the Labour opposition accused the government of stifling debate and of hiding "skeletons in its cupboard".

Less than 100kg of depleted uranium had been included in a 8.8 tonne consignment identified in customs statistics disclosed at the weekend, Mr Lilley said in a radio interview.

The rest comprised medical or industrial isotopes, lead protection and dry ice.

His attempt to defuse the latest political furor over exports to Iraq before its invasion of Kuwait a year ago came as Mr Roy Hattersley, deputy Labour leader, launched a campaign against what he described as "the arrogance and complacency" of the government.

Mr Gordon Brown, Labour's

trade and industry spokesman, wrote again to Mr John Major over the issue yesterday (Sun), saying the prime minister had a responsibility to answer "without further delay" his detailed questions.

In his interview, Mr Lilley said the depleted uranium as distinct from natural uranium, sent to Iraq had had most of the valuable material removed.

It had been sent in six canisters to the oil industry for detecting leaks in pipes. The Iraqis had restored some of the past for returning.

"If they [the Iraqis] were stripping out this uranium for some purpose – which is, frankly, not a wholly credible idea – they wouldn't be shipping them back and getting more nuclear materials put in them for use down the oil wells. They would be asking for new cameras," he said.

Gorbachev's stake, Page 2

## WORLDWIDE WEATHER

Region	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100	101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466	467	468</th

Monday August 5 1991

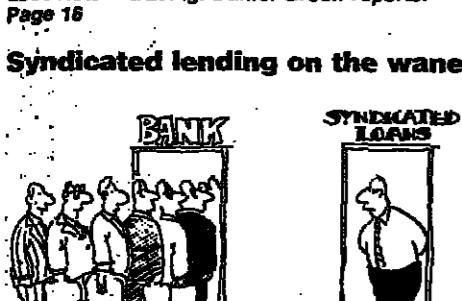
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**INSIDE**  
**HK investors suffer  
boom-town blues**

Hopes that plans for Hong Kong's new airport would lead to economic growth, renewed interest in the property market and a building boom boosted share prices of construction stocks last month. But the optimism was short-lived as investors began to realise that government contracts for non-airport work will take some time to come through. Angus Foster reports. Page 17

**Airedale records £118m loss**  
Despite a pre-tax loss of £118m (£200m) at Airedale, the private holding company for the Magnet kitchen retailing business, chairman Mr Louis Sherwood was cautiously optimistic about future trading. Daniel Green reports. Page 18



**UK Companies are increasingly rejecting syndicated loans in favour of bilateral agreements with relationship banks for standby financing. As a result, foreign banks with strong credit ratings, such as Deutsche Bank, are enjoying an increasing share of the market. Page 19**

**Good news from bad**  
There was bad news for creditors of Atlantic Computers last week: only a modest dividend is planned for the once high-flying computer leasing subsidiary of collapsed British & Commonwealth. But the fact that a dividend is being paid should hearten most creditors. David Owen reports on the administrators' progress. Page 18

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**Economics Notebook**

**Budd rides into stormy weather on official forecasts**

THE recent poor performance of the British government's economic forecasts will be high on Professor Alan Budd's list of priorities when he moves from Barclays Bank to be the Treasury's chief economic adviser next month.

The Treasury's failure to forecast the boom of the late 1980s and the deep recession of the past 12 months have attracted the scorn of many economists and raised the hackles of the influential all-party Treasury and Civil Service Committee of MPs.

But there also seems to be a growing feeling that UK economists and commentators have become too fixated on forecasting. The Treasury and Civil Service Committee recently called for evidence on official forecasting from the Treasury, the Bank of England and other interested parties. Some of the memoranda\* it received were notable for their scepticism.

Professor Wynne Godley of King's College Cambridge said it was his "strong impression" that neither the Treasury nor any of the other main economic modelling teams had made progress with their forecasting "during the past 10 or even 20 years".

Mr Michael Hughes, head of the economics and strategy division of BZW, the investment house, deplored the position: quantitative economic forecasts have attained. "They have been allowed to overshadow the analysis of the main economic forces at work and the overall economic strategy of government."

Mr Brian Reading, a specialist adviser to the committee, gave a lively account of how forecasts are made, which cast considerable doubt on the value of official forecasts.

"All forecasts are fiddled," he said. Forecasting models were dependent on the quality of the numbers fed into them, while the equations in such models never worked perfectly and included errors.

"The forecaster must guess whether errors will get bigger, smaller or stay the same. This requires judgment. Secrecy restricts the task of preparing

**Usinor aims for British Steel link**

By Charles Leadbeater, Industrial Editor

**USINOR SACLOR**, the French state-owned steel producer, has proposed a joint venture with British Steel which could eliminate the need for the UK group to invest more than £400m in a new plate-making mill.

The French group, which is Europe's largest steelmaker, is keen to pool its plate-making operations with British Steel to create a company that would dominate the European market.

The joint venture would be one of the most significant cross-bor-

ders in the European steel industry. A proposal from Usinor SACLOR to form a joint venture company presents British Steel with a difficult dilemma.

It recently announced plans to close its plate mill at Dalzell in Scotland and build a new plant on Teeside. Such a plant would cost over £400m, more than British Steel's annual investment budget of £250m, at a time when the group's profits are under pressure from both falling vol-

umes and prices. The planned investment is regarded by other European steel producers as a gamble given that there is already overcapacity in the plate sector. Europe has a plate-making capacity of 10m tonnes a year, but annual demand is running at about 8m tonnes.

The joint venture being considered by Usinor would eliminate the need for such an investment by modernising existing plants at a much lower cost. The French group first approached British

Steel two years ago with a proposal to pool plate-making activities.

The main obstacle to a deal would be British Steel's insistence on majority control of such a venture. It does not want to cede management control to a public sector group.

British Steel has a strong position in the North Sea oil industry market for wide-diameter, welded tubes made from plates. A deal with Usinor could give it a much stronger continental European presence.

**Retailer sells TV interests in £45m deal**

By George Graham in Paris

**W.H. SMITH**, the UK retailing group, is to sell its television interests – which include the European Sports Network – to a Franco-American consortium.

The consortium is made up of Canal Plus, the French paid-for television channel; ESPN, controlled by Capital Cities/ABC, the US communications group, in partnership with Hearst Corp; and Générale d'Images, the television subsidiary of France's Générale des Eaux water and services company.

The deal, worth £45m (£76m), covers two channels on the Astra 1A satellite. They are W.H. Smith's European Sports Network, which claims to reach 22m households in the UK, Scandinavia, the Netherlands, France and Belgium, and Lifestyle, a women's interest station reaching 8m households.

W.H. Smith announced its intention to abandon television activities in May, in a plan to concentrate on retailing. In addition to the television businesses, it said it would sell its travel interests and called on shareholders to subscribe to a £145m rights issue, the first in the company's 200-year history.

The television deal was originally expected to raise £65m. After negotiations, however, W.H. Smith decided to keep its 19.5 per cent stake in Yorkshire TV, the British independent broadcaster, which did not particularly interest Canal Plus, Générale d'Images or ESPN.

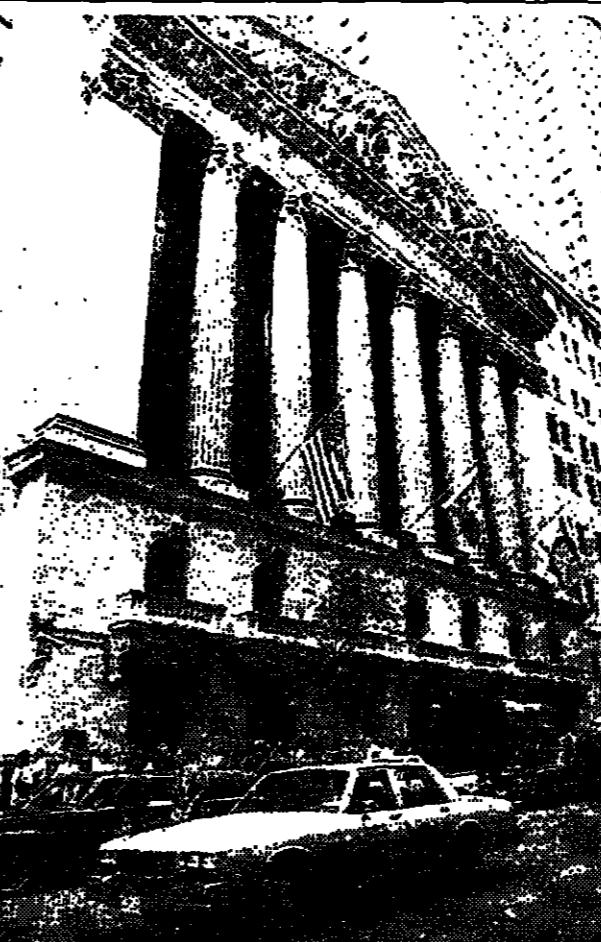
The Canal Plus/ESPN consortium will also acquire W.H. Smith's Cable Jukebox service and four production service companies: Molinare, Vision Mobile, TSI and Digital Pictures.

W.H. Smith is estimated to have invested as much as £80m into television since it first ventured into the sector in the 1980s. However, satellite and cable broadcasting have been slower to take off in Europe than the group had expected, and it was still some way from breaking even.

Canal Plus operates Europe's most successful pay-TV station in its domestic French market, but it has almost reached saturation point at home with more than 3m subscribers.

It wants to develop pay channels in other countries and, together with Générale d'Images, it had already bought stakes in continental affiliates of European Sports Network.

The French group also aims to develop its portfolio of theme channels, a segment of the television business which is showing faster-than-average growth.



Early bird: the New York Stock Exchange believes that 9am opening will win more overseas business for US traders

tify customers placing their orders after 4pm. The fact that many orders are left unfilled each day has been a big disincentive to potential late traders.

The NYSE is putting a brave face on the lack of business during late sessions. "It is way too early to tell if the sessions have been a success," says Mr William Donaldson, chairman of the NYSE. He also says winning new business from overseas traders, not retrieving trades lost to London, is the NYSE's objective.

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## Interest charges push up Airedale loss to £119m

By Daniel Green

AIREDALE, the private holding company for the Magnet kitchen retailing business, incurred a pre-tax loss of £119.6m for the year to March 31. Operating losses at Magnet were £23.5m, compared with £22.4m over the previous nine months, on turnover of £225m (1990). There is no dividend.

Mr Louis Sherwood, chairman, expressed "cautious optimism" on trading. He added, however, that there is no clear indication that the current slump in the economy is bottoming out".

The business, the result of a £630m management buy-out in July 1989, owes £664.2m (£557.3m) to its bankers. Its interest charge has jumped to £56.3m, from the nine month figure of £51.2m.

Since a financial restructuring last year, interest payments have been rolled up. The debts are wholly repayable within five years.

Closure costs of £59m pushed Magnet's negative net worth to £80.6m. But Magnet, which is shielded from its parent's debts, has assets of £180m in December 1990.

cash, stock and property. It has no borrowings.

As part of an agreement with its bankers, Magnet cannot pay interest or pay down Airedale's debt until it has forecast a positive cash balance of £20m for the following six months. Under such circumstances, the board of Magnet would vote a dividend to Airedale, which could then meet the payment.

The next formal re-examination of the company and bankers of the terms of the loans is in December 1991.

## £24m injection for Direct Line

By John Authers

ROYAL BANK of Scotland has expanded the capital base of Direct Line, its insurance subsidiary, by 50 per cent.

A cash injection of £24m means that Direct Line now has a capital base of £62m.

Direct Line was the only arm of the bank to increase profits this year, although the

improvement was marginal (from £3.8m to £3.7m). It has pioneered direct selling, which allows insurance companies to cut distribution costs considerably, usually leading to lower per cent this year.

The injection signalled Royal Bank's commitment to continue Direct Line's expansion.

CROSS BORDER M&A DEALS				
BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Carson Investment Management (Sweden)	Koto Manufacturing (US)	Car parts	£500m	Carson taking surprise stake
Smiths Industries (UK)	Flexible Technologies (US)	Pipes & ducting	£33.3m	Complements European activities
Forstie (Holland)	Unit of Mutual Benefit Life (US)	Insurance	Max £300m	First step in buying campaign?
Times Tree (Spain)	Lilley (UK)	Construction	£24m	Much needed fresh cash
Chocolate Grocer (Holland)	Sapor (Italy)	Biscuits	n/a	Sale by Allied-Lyons
TNT (Australia) + five post offices	GD Net (JV)	Delivery services	n/a	"Substantial" cash boost for TNT
International consortium	Independent Power Generators (JW)	Energy	n/a	Generation game increasingly popular
Midlands Electricity (UK)/Unilever (US)	Midlands Gas (JW)	Energy	n/a	Competition for British Gas
Philips (UK)	Vitrages Isolant de l'Ouest (France)	Glass	n/a	First significant French move
Laporte (UK)	FMF International (US)	Food flavours & preservatives	n/a	Laporte developing taste for sector

Source: FT Mergers & Acquisitions International

## COMPANIES AND FINANCE

### SD-Scicon's UK profits record under fire

By Richard Gourlay

ELECTRONIC Data Systems, the subsidiary of General Motors bidding for SD-Scicon, has attacked the computer service company's UK profits record and questioned whether the current board can manage its recovery.

SD-Scicon's UK profits, margins and sales fell in the first half of 1990 as bad profit margins at GFI, the French subsidiary, the once high-flying computer leasing subsidiary of British & Commonwealth, the financial services group which collapsed itself some six weeks later.

Mr John Jackson, the SD-Scicon chairman, advised shareholders not to sell out to EDS but to "come along for the ride".

If the EDS bid failed, leaving the US group with a third of the company, it was unlikely the shares would fall below the 30p level they reached earlier this year before the bid, he said.

UK profit margins had fallen from 4.4 per cent in the six months to June 1990 to 1.2 per cent a year later, EDS said. In France margins had fallen 1 percentage point to 6.4 per cent.

The US company questioned whether SD-Scicon was a "software company still in decline". It doubted the "old guard" of executive directors, who oversaw the slide in profits in 1990, had the necessary competence to deal with fixed-price contracts where costs are difficult to control.

SD-Scicon admits management mistakes were made and that margins in the UK and France could improve. But it says the latter is the reason why the company has recovery potential for shareholders and the £14m profit forecast for the full year is easily attainable.

The strength of the turnaround is enough to see this bid off at the higher level", a spokesman for SD-Scicon said.

### The good and bad news for creditors

David Owen updates the situation at fallen Atlantic Computers

**M**R JOHN SODEN of

Price Waterhouse has some good news for the creditors of Atlantic Computers.

The bad news is that their dividend will be "modest" and is unlikely to exceed a few pence in the pound. The good news is that there definitely will be a dividend. Both are dated 25 July 1991.

• The Department of Trade & Industry investigation into the Atlantic collapse is continuing and the administrators understand that inspectors have yet to submit a formal report. It was announced last June that DTI inspectors had been appointed under Section 42 of the 1985 Companies Act.

• The administrators have still not decided whether or not to pursue legal claims on behalf of Atlantic in a number of areas concerning the conduct of the company prior to our appointment. The eventual decision will hinge on their assessment of the likely cost-benefit position, Mr Soden says.

• Unsecured creditors of Atlantic Computer Systems Inc (ACSI) are seeking to apply the principles of "equitable subordination" to a sum of £140.9m (£28m) due from ACSI which constitutes ACP's most significant asset. This would effectively subordinate the ACP claim to those of other creditors. "If we are not subordinated, the ACP dividend could be 55 cents in the dollar, but if we are in theory we get nothing," Mr Soden says.

He expects the equitable subordination issue to be addressed when ACSI produces its Chapter 11 plan, which is expected by the end of this year. An out-of-court settlement is on the cards. The cost of the US system is such that there is a strong incentive for people to settle, he says.

• Since their appointment, the administrators have entered into more than 110 transactions with individual lessors and lessees involving some 210 leases. These have generated some £19m of receipts and removed about £21m of liabilities. "It has been a very much a period of consolidation," Mr Soden says.

• The directors' statement of affairs put ACSI's unsecured liabilities at £171m and total flex and walk liabilities at

approximately £250m.

• 147 of the 156 vehicles taken over have been sold for a total of more than £1.3m or nearly £9,000 apiece.

• Administration fees in connection with ACSI have to date come to £1.74m.

What these statements scarcely hint at is the effect of the collapse of what was once the world's third-largest company in its field on the underlying computer leasing market.

Since Atlantic's demise, two other major equipment leasing groups - Blackspur Leasing and ICS - have followed it. The trading position of another - Capital Computers - has deteriorated to such an extent that it has been considering the sale of all or part of its lease portfolio to third party companies, according to the most recent Companies House report filed at Companies House.

All four companies offered various forms of the "flexible" concept pioneered by Atlantic. When the group's owners finally laid to rest some £1.5bn towards the end of the millennium, "Avec mot le défi", may prove a fitting epitaph.

## NEWS DIGEST

### Cluff improves to £1.09m

CLUFF RESOURCES, the gold and oil company, managed a marginal increase in taxable profits from £10.1m to £11.7m in the first half of 1991 in spite of its gold mining operations in Zimbabwe being hampered by temporary restrictions on foreign exchange allocations.

The restrictions, imposed because of the Gulf war's impact on the price of oil imports, kept Cluff short of essential mining equipment.

Consequently, although gold production from Zimbabwe in the first half was about the same as in the first six months last year at 34,548 (34,605) troy ounces, Cluff has revised downwards its estimate for 1991 from 80,000 to 70,000 ounces.

The Zimbabwean government increased significantly the availability of foreign currency in May and equipment is now on site at the Freda Rebecca mine but operations will not return to normal until the fourth quarter.

Cluff is quoted on the USM and is 24 per cent-owned by Hutchison Whampoa, the Hong Kong-based conglomerate.

reached a £1.24m fall in profits to £1.92m pre-tax for the year to April 27.

The 28 per cent shortfall was struck from a turnover £1.75m ahead at £2.077.75m. Cost of sales accounted for £151.31m (£152.76m) and administration expenses for £32.66m (£30.6m).

The share of profit of the associates fell to £314.000 (£600,000) while interest charges took £270,000 more at £1.13m.

J England shares suspended at 22p

Shares of J England Group, the Telford-based potato wholesaler and quiche maker, were suspended at 22p on Friday, pending the announcement of an acquisition and further clarification of the company's financial position.

The financial details will include the group's results for 1990. In the first six months it reported an unchanged pre-tax loss of £192,000 on turnover of £3.68m (£1.89m).

The shares have generally fluctuated within a narrow 20p-30p range since sliding from a peak of 50p last August.

Oceana again urges Etam to accept bid

Oceana Investment Corporation, the South African-controlled retail group, has again written to shareholders in Etam, the fashion retailer, urging them to accept its £12m bid.

It has bought 125,769 shares through its stock market, taking its holding in Etam to 31.7 per cent. It also has acceptances covering 1.46 per cent of Etam's shares. Oceana is offering to buy shares at 16p each for cash settlement within 11 p.m. today. The general offer is open until August 12.

The circular challenges Etam to make a profit forecast for the six months to July 31. Oceana says Etam's performance has been poor and its recovery prospects are uncertain, but that it has "not produced a single argument in response" to these points.

### Notice to Holders of 18,600 Warrants to acquire Ordinary Shares of Tate & Lyle PLC

(Incorporated in England under the Companies Acts 1862 to 1900 with registered number 76353)

In accordance with the provisions of the deed poll dated April 23, 1991, notice is hereby given that the provisions of the deed poll were amended by a supplemental deed poll on July 16, 1991 to take account of an issue of 16,600 further warrants made on that date.

By: Chase Manhattan Bank Luxembourg S.A. as Issuer

August 5, 1991

### ECU FUTURES PLC

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29 CHESTER PLACE, BELGRAVIA, LONDON SW1X 8HL

TEL: 071 245-1010 FAX: 071 235-6682/6299

### CONTRACTS & TENDERS

#### CYPRUS PORTS AUTHORITY

#### LIMASSOL PORT EXTENSION - PHASE A IMPLEMENTATION

#### INVITATION TO CONTRACTORS TO PREQUALITY

1. The Cyprus Ports Authority intends to implement phased development of Limassol Port within the overall recent Port Masterplan.

2. The first phase of development will include two sections of works. i.e. dredging and reclamation works; (ii) quay and breakwater construction works hereinafter called "the main civil works". Depending on the phasing of the work, which has yet to be determined, the Works may be let as a single contract, or as two separate contracts, the one covering dredging/reclamation works and the other the main civil works. In the case of a single contract, it is possible that the dredging/reclamation works may be let as a nominated sub-contract to the civil works main contractor.

Contractors must apply to prequalify for both sections of the works or for one of them. Contractors will be invited to bid only one section of the works in joint venture with a contractor prequalified for the other section of work. In the event that the works are let as a single contract but with the dredging/reclamation works being let as a sub-contract to the main civil works contract, only contractors prequalified for the dredging/reclamation works will be able to tender for such sub-contract works and the main civil works contractor need not have been prequalified for dredging/reclamation works.

Contractors must apply to prequalify for the section of the works for which they apply for prequalification.

3. (i) Dredging and reclamation works

• Total volume to be dredged is approximately 5,000,000m<sup>3</sup> of which 3,000,000m<sup>3</sup> may be reclaims.

(ii) Quay and breakwater

• Construction of 650 metres breakwater extension in up to 20 metres depth of water.

• Construction of 670 metres of quay in 14 metres depth of water.

4. Applications for prequalification are invited from contractors who are interested in participating in a restricted tender for the contract works.

The contractors should be well experienced in works of the nature described above and be of sound financial status and repute. Contractors who wish to seek prequalification for the project should apply for Prequalification Forms to the Employer for the Contract:

The General Manager

Cyprus Ports Authority

P.O. Box 2007

Nicosia

Cyprus

Tel: 2233 CYPA CY Fax: 02 365420

or to the Consulting Engineers:

Mowbray Cooke and Partners

Royal Oak House

Brighton Road

Surry

England

Tel: 0473 2202 COODIES C Fax: 081 688 4216

5. Completed Prequalification Forms with enclosures should be forwarded for delivery not later than 12 noon on Friday 27th September 1991 to the Employer for the Contract at the address above, with a copy to the Consulting Engineers.

## TECK CORPORATION

### Notice to Unitholders Distribution Date August 6, 1991

On July 3

## COMPANIES AND FINANCE

## Petro-Canada deeper in red with loss of C\$97m

By Robert Gibbons in Montreal

**PETRO-CANADA**, the big integrated oil company privatised in June, lost money in the second quarter but is taking action to improve performance in the second half.

Second-quarter loss was C\$97m (US\$64.3m) or 41 cents a share, against a loss of 32m a year earlier. First-half loss was C\$145m, against a profit of \$23m. Revenue figures were not given. Petro-Canada is one of the biggest integrated companies in Canada.

Most of the integrated companies have reported losses this year because of low crude

oil prices following the Gulf war and highly competitive downstream markets.

Petro-Canada has trimmed staff and cut C\$115m out of capital spending. It is rationalising its downstream systems - where losses were heavy in the second quarter.

- Lower natural gas and crude oil prices, particularly for heavier oil grades, hit BP Canada in the first half, though the trend improved in the June quarter. Production declined because of asset disposals.
- Mining results, both in Quebec and Newfoundland, were

approaching a period of over-supply, leading to worries that private sector building will slow in the middle of this decade.

Mr Chan says there is another problem. "If the government diverts all its resources into the airport, local contractors may find their regular business drops off too."

Projects which could be at risk include a HK\$20bn environmental improvement project and the government's housing programme, which provides more than half Hong Kong's population with subsidised accommodation. Under the programme, 40,000 flats are due to be built each year until 2000 and provide steady work for more than 50 contractors approved by the housing authority.

These fears are misplaced, according to Mr D.R. Messing, acting director of the housing authority. He says some contracts were delayed during the airport stalemate, but the authority is almost financially autonomous from the government and will not slow down its building programme.

But with government resources limited, construction companies with strong balance sheets could benefit. Some analysts expect the government to try to privatisate some of its environmental programmes, such as waste disposal and landfill, on a build, operate and transfer basis. From this viewpoint, the rush of companies seeking stock market listings is more an attempt to raise capital for new projects rather than to cash in on airport

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## UK GILTS

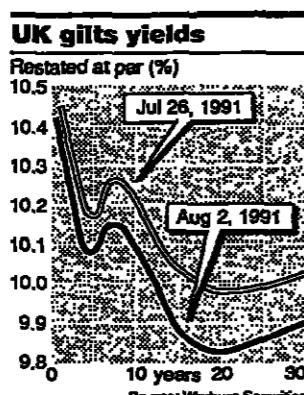
## Traders await a 'super-long jumbo'

THE government's return to borrowing has led to speculation the Bank of England may extend the maturity profile of government debt by issuing more long-dated gilts.

Rumours have circulated for weeks that the Bank will issue a "super-long jumbo" gilt with the market anticipating about £2bn of a 25 or 30-year bond issue in the next few months – possibly in September when the next gilt auction is expected. The Bank of England has acted to scotch the rumours, stressing instead that it is considering a range of funding practices and maturities.

However, fund managers and traders point out that a super-long jumbo issue could prove popular. Although there are already some long-dated conventional gilt issues maturing in 20-26 years' time, these are not particularly large or liquid following the Bank's buying-in programme.

One pension fund manager pointed out that a super-long issue would be useful for pricing sterling bonds. He argues that the existing long-dated gilts fall short for one reason or another: the 9 per cent conventional stock due 2011 is not a long enough maturity; the 5%



per cent Treasury stock due 2008/12 has too low a coupon; while the 12 per cent exchequer stock due 2017/18 has too large a coupon. He would prefer a gilt maturing between 2015 and 2020.

However, some fund managers point out that it is simple to price corporate sterling bond issues off the 9 per cent gilt due 2008, especially given that the yield curve is quite flat.

Also, a 30-year gilt would help to allow direct comparisons with other government bond markets such as the

French and US markets which have 30-year paper.

Finally, fund managers point out that a long-dated issue would be popular with insurance companies which are writing to life or unit-linked policies and, to a lesser extent, pension funds. Fund managers say that, due to the Bank's buying-in programme, there has been a shortage of long-dated gilt-edged stock for insurance companies to buy.

The concern is that the yield on such a gilt would need to be very attractive for investors, for as one insurance company fund manager said: "Why hold gilts, the ultimate in safety, when you can get a higher return on sterling corporate bonds at very little extra risk?"

The Bank's aim is to fund the government's borrowing requirement as cheaply as possible. Given that inflation is forecast to fall to 4 per cent by the end of the year, it may be unwilling to issue a long-dated bond yielding 10 per cent as this would provide a high real return for investors.

Those in the market wonder whether the Bank was perhaps testing the water when it announced a fibre tap of the 9 per cent stock due 2011 on July 19. The tap stock was exhausted on Friday in a strong gilt market rally.

Sara Webb

## NEW ZEALAND BONDS

## Budget adds incentive for foreign investors

THE RESPONSE from New Zealand's bond market to the tough, sweeping changes in Tuesday's budget, which included the announcement of an unexpectedly large NZ\$5.2bn tender programme over the next four months, was indecisive. Rates turned sharply before easing towards the end of the week.

The budget, which included social welfare cuts, had been largely anticipated by financial markets, and initially received a warm response. However, its complexity meant the markets barely responded on Wednesday as analysts attempted to reconcile government intentions and the response from the Reserve Bank, which operated under an Act of Parliament giving it independence in economic matters affecting inflation.

This act, which has the support of Minister of Finance Ms Ruth Richardson, was passed by the previous Labour government.

There would at last be some relief for the harsh domestic recession.

Almost immediately interest rates went positive with 90-day bank bills falling to 3.35 per cent from 3.61 per cent and 1991 government bonds rising to 9.66 and 2002 maturities to 9.96 per cent.

The rising bond rate was in part a reflection of concern at the ability of the government to issue so much paper in a relatively short period and following other large issues.

The timing of the bond programme is also a little curious, as it comes ahead of NZ\$2bn of bonds which are due to mature next year.

It is assumed that given domestic liquidity difficulties a high proportion of the bonds will be bought by overseas investors, particularly from the US.

It is assumed that bond rates will stay at around present levels till the bulk of the present

tender programme is completed in November.

Present bond rates are lower than in Australia and some other countries, and this is causing some government critics to suggest there could be difficulty in attracting sufficient international support.

However the deputy governor of the Reserve Bank, Mr Peter Nicol said international soundings by the bank had confirmed there was strong support, in part due to a recognition that the New Zealand real interest rates were the highest in the world and that efforts were being made to strengthen the economy. As if to ensure that extra and significant degrees of support, in the budget Ms Richardson increased the 24 per cent withholding tax requirements for overseas investors, which gives the New Zealand offerings an edge over those from Australia.

Terry Hall

## FINANCIAL TIMES CONFERENCES

## WORLD MOTOR

Frankfurt - 11 & 12 September

This high-level meeting, timed to coincide with the Frankfurt Motor Show, brings together a most distinguished international panel to debate the challenges and opportunities facing the world motor industry in the coming decade. Strategies for the 1990s, the Single European Market, the relationship between assemblers and suppliers and the role of alliances are among the subjects to be discussed.

Mr Robert C Stempel, Chairman & Chief Executive Officer of General Motors Corporation will deliver the opening address and speakers taking part include: Dr Carl H Hahn, Chairman of the Board of Management, Volkswagen AG; Mr Yutaka Kume, President, Nissan Motor Co, Ltd; Mr L Lindsey Halstead, Chairman of the Board, Ford of Europe Incorporated and Mr Martin Bangemann, Vice President, Internal Markets & Industrial Affairs, Commission of the European Communities.

## MANAGING FINANCIAL RISKS

London - 30 September & 1 October

26 & 27 November

The Financial Times and Price Waterhouse have responded to market demand in developing a workshop to cover the management of financial risks by financial institutions and corporate treasuries.

The workshop is an intensive, practical course aimed at those who wish to understand the principles and practices of financial risk management. It combines comprehensive technical reference material with an interactive format with case studies and worked examples. To underpin this, we have a panel of specialists from financial institutions including Jonathan Britton, Director of Treasury and Fixed Income at Swiss Bank Corporation, London; Bob Fuller, Director of Chatterhouse Bank in charge of risk systems (CATALYST) development; Richard Hines, Group Project Manager at Prudential Corporation plc; Julian Nathan, Assistant Managing Director of the Chicago Board of Trade in London; Crispin Southgate, Director of Chatterhouse Bank and Head of Financial Engineering; Chris Wingfield, Assistant Director, Hill Samuel Bank responsible for operational support for treasury and capital markets product together with specialists from the Price Waterhouse Financial Risk Management Group.

## WORLD ELECTRICITY

London - 14 & 15 November

This high-level meeting arranged in association with Power in Europe, will examine how the utilities are responding to the challenges of increased competition and growing environmental pressures and meeting demands for greater energy efficiency. Expert contributors will also review developments in a number of contrasting markets and assess future fuel sources.

The conference will be chaired by Sir Donald Miller, Chairman of Scottish Power and Sir Michael Joughin, CBE, Chairman, Scottish Hydro-Electric and speakers taking part include: Mr Nicholas Argiris, Director of the Internal Energy Market Task Force, Commission of the European Communities; Dr Ingolf Rolf Bierhoff, Member of the Board of Management, RWE Energie AG; Mr Alan Holt, President & Chief Executive Officer, Ontario Hydro; Mr Kurt Yeger, Senior Vice President, EPRI; Mr Togo Miwa, General Manager, Tokyo Electric Power Co Inc; M. Pierre Lederer, Director of France and Mr Carl-Erik Nyquist, Director General, Svenska Vattenfall.

All enquiries should be addressed to: Financial Times, Conference Organisation, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2233 (24-hour answering service), Telex: 27347 FTCONF G, Fax: 071-925 2225

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## US MONEY AND CREDIT

## Reactions differ to jobs figures

THE different interpretations of last Friday's jobs data by the money people of Wall Street and the US President suggests that the divide between New York and Washington is greater than suggested by the physical distance between them.

When the Labor Department announced last Friday that non-farm employment fell by 51,000 jobs in July – against expectations of a gain of about 60,000 – the bond market reacted with an immediate rally, based on the view that the US economy's recovery was now looking sluggish at best and interest rates would have to come down.

But President George Bush, seizing upon the less reliable percentage indicator of unemployment in July – which fell from 7 per cent to 6.8 per cent – announced this was "very good news" and proclaimed that the economy was "moving forward".

No one knows whether the market or the president is right. Ms Janet Norwood, head of labour statistics in Washington, said the job market was flat. In number terms she is right.

What is more, the number of people unemployed now stands at 5.6m, which on a seasonally adjusted basis is 1.6m more people than a year ago.

On Wall Street the market reacted to the worse than expected data by engaging in a buying spree. The price of the benchmark 30-year Treasury bond jumped by 14 on Friday, reducing the yield to 8.24 per cent, some 14 basis points

US MONEY MARKET RATES (%)						
	Last Friday	1 week ago	4 weeks ago	12-month ago	12-month low	12-month high
Fed Funds (overnight)	5.63	5.60	5.75	7.81	5.25	8.00
30-day Treasury Bills	5.28	5.27	5.35	7.21	5.00	8.00
90-day Treasury Bills	5.28	5.27	5.35	7.21	5.00	8.00
30-day Commercial Paper	5.12	5.05	5.15	7.15	5.01	8.01
90-day Commercial Paper	5.12	5.05	5.15	7.15	5.01	8.01

Money supply: In the week ended July 22, M1 rose by \$2.5bn to \$360.2bn

lower than it had been seven days before.

The corporate bond market, apparently reeling from the "double dip" theory of the US recession – the President's optimism is pure politics and the economy could still slip into another trough, perhaps only a small one. If the US growth rate were to slide along at 0.5 per cent in the second and third quarters of 1991, these numbers would probably mask suffering in parts of the economy.

The Treasury bond market, viewing as possibly wishful thinking, is clearly that the Federal Reserve must now ease on interest rates to help spur recovery. This view was reinforced by last Thursday's 5.65bn drop in the M2 money supply figure for the week ended July 22.

With money supply growth as sluggish, one would think that Mr Alan Greenspan, the ever-cautious chairman of the Federal Reserve, would move away from his stance of "watchful waiting". But experience suggests that the waiting may continue, and only a protracted weakness in M2, with other signs of a slow

recovery, will lead to Fed action on interest rates.

For the bond market, however, and especially the believers of the "double dip" theory of the US recession – the President's optimism is pure politics and the economy could still slip into another

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Mr Robert Brusca, chief economist at Nikko Securities, says the employment report was "unambiguously" weak.

There is no sign, he says, of the poor trend turning for the jobless.

Like others, Mr Brusca points out that the 6.8 per cent unemployment rate comes from the less reliable "household survey", which showed a drop of 415,000 in the labour force with a rise of 686,000 "not in the labour force".

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## INTERNATIONAL CAPITAL MARKETS

## SYNDICATED LOANS

## Sector on wane as banks lose favour

UK COMPANIES are turning away from syndicated loans, their usual source of standby financing, to set up bilateral loan agreements with relationship banks.

The trend has been sparked by growing concern that, when the going gets tough, a large group of banks may not be a reliable source of funding.

Companies such as News Corporation, Brent Walker and Laura Asbury found, to their cost, that the reluctance of just one or two banks to agree to a restructuring of debt can jeopardise a company's future.

In many cases, banks had sold down their participations, so that some companies discovered they had new creditors.

Several large companies are reviewing their banking lists and moving towards closer ties with their relationship banks.

Imperial Chemical Industries, the UK's largest manufacturing company, and Rolls-Royce are among the leading UK firms which are said to be adopting this strategy.

Foreign banks with strong credit ratings, such as Deutsche Bank, are enjoying an increasing share of the market as a result.

Companies appear to be prepared to pay more for bilateral lending, when they are convinced that a top-rated bank will be a reliable source of funds, than for syndicated facilities, which in the past have been more expensive.

"Many UK companies are not enamoured of syndicated lending," observed one banker.

## EUROMARKET TURNOVER (\$m)

Primary Market	Strikes	Cov.	FBH	Date
US\$	765.9	394	5954	12/5/91
Prev.	1,272.1	60	1100	12/8/91
Other	3,003.6	210	4762	7/8/91
Prv.	1,372.6	65	850	7/8/91
Secondary Market				
US\$	12,109.2	864.6	18,174.2	18,337.8
Prev.	12,109.3	865.6	18,161.1	18,327.7
Other	24,107.4	973.4	32,264.7	33,703.4
Prv.	24,111.8	1,016.4	43,703.2	
Codol	Exodus	Total		
US\$	23,157.9	13,712.0	55,891.0	
Prev.	23,157.9	13,712.0	55,891.0	
Other	45,457.2	29,177.1	104,530.3	
Prv.	45,457.5	33,706.6	87,871.1	
Week to August 1, 1991				

Source: ABD

## INTERNATIONAL BONDS

## Emerging economies gain as investors take more risk

FOLLOWING a period of intense conservatism, investors are buying higher-yielding assets from weaker international credits.

Borrowers from the emerging markets of Latin America and eastern Europe have most to gain from a shift in attitudes. Domestic borrowing costs in many countries remain prohibitively high. Cheaper international credit can help to finance growth.

Inflows of international capital allow governments to run the trade deficits which often result from high economic growth. For example, Mexico was the largest recipient of new capital flows in Latin America last year, with a total of \$34bn invested, enough to cover the country's \$3bn trade deficit twice over.

More such agreements will be put in place during the next few months.

BAT does not plan to draw on the new facilities, just as the old facility were virtually unused.

The official said that BAT expects banks not to sell on its debt.

Other companies are still considering their options. Securit & Coleman has yet to decide how to refinance the remaining \$1bn of its \$1.7bn facility taken in March 1990, which expires next year. An official said that, in view of changes in the market, the company is looking again at all the options.

Despite the attractions of bilateral financing, some bankers say such loans may fail to live up to expectations. One banker pointed out that the policing role of agent banks on syndicated facilities may be missed, if companies have to try to restructure a large number of bilateral loans.

In any case, a barrier to the spread of bilateral lending may be the banks themselves.

Constrained balance sheets and economic recession are likely to dissuade some banks from lending sizeable sums of money, without selling on some of the exposure.

THE \$80m three-year secured syndicated loan for Robert Maxwell Estates has been put on hold.

The deal, arranged by Barclays and Lloyds, was in syndication, but the proposed merger of Maxwell Communications, Mr Robert Maxwell's publishing group, may require the loan to be restructured.

Tracy Corrigan

Mexico has been at the forefront of the resurgence of "emerging market" borrowers in the international bond arena. Pemex, the state oil company, has led the way with Eurobond issues in D-Marks, Austrian schillings, dollars and Ecu, as well as a US domestic bond offering.

However, the Mexican state's Pitaloba Matador bond issue in the Spanish domestic market last week demonstrated that new funding opportunities were opening up.

Mexican borrowers are also funding at longer maturities. The \$100m five-year deal by Banobras, the state development bank, launched last month was the longest maturity borrowing by a Latin American borrower since the early 1980s.

The cost of international borrowing has also fallen sharply. The Banobras issue was priced at a yield of 239 basis points over US Treasury bonds. Pemex's \$125m three-year deal was launched in February at a yield spread of 320 basis points.

This still represents a heavy premium over better known corporate names. For example, Pemex's Ecu deal was launched on a yield of 11.475 per cent. A comparable deal by Asesa Brown Boveri, the Swiss-Swedish industrial group, was at the time yielding 9.48 per cent in the secondary market.

But the narrowing of spreads demonstrates the progress made by Mexican borrowers since they returned to the Eurobond market last September.

Borrowers from other South

American countries are following Mexico's lead. But they have further to go in terms of pricing. Petrobras, the Brazilian public sector oil group, paid a yield spread of more than 600 basis points for a successful \$250m two-year issue launched last month through Chase Investment Bank.

The pattern is similar among eastern European borrowers, where Hungary is blazing a trail.

National Bank of Hungary recently completed its first Eurodollar bond offering, a \$100m five-year deal via Bankers Trust International. The yield spread of 239 basis points over US Treasuries suggested that the Hungarian bank is seen as a slightly more risky credit than state-owned Mexican borrowers.

Renewed interest in debt issued by these borrowers has been fuelled by the progress of economic restructuring.

For example, Venezuela recently had its credit rating upgraded from B+ to BB by Standard & Poor's, the US rating agency. This did much to smooth the path of the country's return to the capital markets, via a \$100m five-year Eurobond placement.

S&P said that the upgrade reflected "the implementation of a comprehensive economic adjustment programme and debt reduction."

Some syndicate managers said that demand was coming from diverse sources, varying from private individuals in Europe to US mutual fund managers to Japanese leasing companies.

One common theme is that the weakness of the US market for high-yielding corporate debt - or "junk" bonds - has led to US funds being diverted overseas.

For example, strong US demand for National Bank of Hungary's Eurodollar deal has led the bank to consider a US domestic issue.

However, in upgrading Venezuela's debt rating, S&P noted that economic adjustment "remains vulnerable to political challenges".

Demand from investors is also sensitive to political disturbances. The National Bank of Hungary has postponed plans for a debut sterling issue because of unrest in neighbouring Yugoslavia.

Simon London

## NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Avg. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
HMC Mfg. Notes 8(d)††	150	1998	7	4	100	Daiwa Europe	4.040
Chiyoda Corp.(N)††	300	1995	4	4½	100	Nikko Secs.	4.730
Sumitomo Corp.††	110	1995	4	4½	100	CSFB	4.830
Province of Quebec	500	2001	10	9½	101.47	CSFB	8.897
Kumata/Gumi††	360	1995	4	4½	100	Daiwa Europe	4.375
Nippon Stainless Steel††	100	1995	4	4½	100	Yamazaki Int.	4.625
Senko Co.††	100	1995	4	4½	100	Daiwa Europe	4.525
Topix Industries††	100	1995	4	4½	100	Nikko Secs.	4.625
Nippon Sheet Glass Co.(s)††	220	1995	4	4½	100	Daiwa Europe	4.625
STERLING							
HMC Mfg. Notes 8(d)††	200	1994	(5)	(6)	100	CSFB	
Woolwich Building Soc.(w)††	75	1993	2	(2)	100	U.S. Phillips & Drew	
CMS No. 12(p)††	55	2003	(5)	(2)	100	Goldman Sachs	
Euros							
European Community(e)††	435	1998	8½	9½	101.5	Paribas Cap. Mkt.	8.983
SNCF(p)††	40	2001	9½	9½	100.71	Paribas Cap. Mkt.	9.243
CANADIAN DOLLARS							
IBM Canada††	150	1995	5	10	100.425	Wood Gundy	9.888
AUSTRALIAN DOLLARS							
BP America Inc.††	100	1994	3	11½	101.27	Merrill Lynch	10.609
Barclays Austl. Fin.††	75	1994	3	11½	101.5	BZW	10.837
West Australia Blk††	75	1995	4	11½	101.5	Westpac Cap. Mkt.	11.100
PESETAS							
United Mexican States(l)††	10bn	1995	5	14½	99½	Bco. Santander	14.397
D-MARKS							
Union Bl. of Finland††	200	1993	2	9½	101.10	Deutsche Blk	8.628
Post Linen††	150	1998	7	(7)	100	Presidenz Blk	8.628
Fid. Fin. & Trade††	85	1997	4	5½	100	Nordic Blk GmbH	5.375
Hambros Int. Fin. BV(p)†††	70	2001	10	(8)	100	Nord. Blk	8.618
Dresdner Int. Fin. BV(p)†††	400	1995	4	9	101.5	Dresdner Bank	8.527
Dalo Seki Co.††	40	1995	4	5½	100	Deutsche Bank	5.375
Manutomi Gr.(b)††	70	1995	4	5½	100	Nomura Blk. GrbH	5.375
World Bank(p)††	300	2001	10	8½	101.5	Commerzbank	8.502
SWISS FRANCS							
Akabond Brake Inds.(a)†††	80	1995	-	4	100	Nomura Blk (Switz)	4.000
Tokyo Mizuwa Homes(p)†††	30	1995	-	4	100	Credit Suisse	4.000
Shibaura Electric(p)†††	20	1995	-	5½	100	Kantaku (Switz)	5.500
Shinagawa Fuel(p)†††	50	1995	-	4	100	SEC	4.000

## The Wharf (Holdings) Limited

(Incorporated in Hong Kong with limited liability)



## Final Results for Year Ended 31st March, 1991

- \* Group profit attributable to shareholders increased by 11.1% to HK\$1,142.6 million compared to the preceding year. Earnings per share improved to 45.3 cents.
- \* Extraordinary profit for the year amounted to HK\$214.1 million arising mainly from the rationalisation of the Group's hotel interest ownership structure and sharing of extraordinary items of associated companies.
- \* A final dividend of 15 cents per share is proposed, after the payment of an interim dividend of 6 cents per share in January 1991. Total dividend per share for the year rose to 21 cents, representing an increase of 10.5%.
- \* During the year, the Group restructured its holding of the "A" shares and "B" shares of Hongkong Realty and Trust Company, Limited ("Hongkong Realty"), listed in Hong Kong, resulting in the aggregate voting rights attached to the restructured holding falling below 50%. As a consequence, Hongkong Realty ceased to be a subsidiary in August 1990 and has instead become an associated company. Contributions from Hongkong Realty since then have therefore been equity accounted. However, this has no impact on the consolidated profit after taxation and minority interests as the Group's equity shareholding in Hongkong Realty has been maintained at about the same level.
- \* The Wharf (Holdings) Limited continued to achieve improved results. In the medium-term future, earnings growth will be propelled by the development of its own land bank.
- \* The Trading activities headed by Wheelock Marden and Company Limited were affected by the general softening of the economy and experienced a difficult year.
- \* The Retail business of Lane Crawford International Limited and its subsidiaries suffered from a difficult retailing environment during the year. Notwithstanding a modest improvement in retail turnover, gross profits declined and net margins were further eroded by increased operating costs.
- \* The Property business headed by Hongkong Realty reported improved results during the year. Two property projects were completed during the year and other projects of varying sizes are progressing in accordance with plans. These projects aggregate 2.1 million sq. ft. of gross floor area.





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*4:00 pm prices August 2*

## **NEW YORK STOCK EXCHANGE COMPOSITE PRICES**

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**NYSE COMPOSITE PRICES**

High Low Stock Div. Yld. E 100s. High  
Continued from previous page

**NASDAQ NATIONAL MARKET**

4:00 pm prices August

## **AMEX COMPOSITE PRICES**

4:00 pm orches. August 2

Stock	Div.	P/E 2006				P/E 2005				P/E 2004				P/E 2003				Stock	Div.	P/E 2006				P/E 2005				Stock	Div.	P/E 2006				P/E 2005			
		Div.	E	1000	High	Low	Close	Chng	Stock	Div.	E	1000	High	Low	Close	Chng	Stock	Div.	E	1000	High	Low	Close	Chng	Stock	Div.	E	1000	High	Low	Close	Chng					
Am Cpr Expr	0	24	37	34	34	34	34	-1	CIM Corp	0	170	172	171	171	171	-1	HealthNet	2	34	31	31	31	31	-1	Papaya G	8	516	127	127	127	127	-1					
Am Int	18	171	302	293	293	293	293	-1	Grid FdA	348	100	44	44	44	44	-1	Netco Cp	0.10	14	27	11.5	11.5	11.5	-1	Perini	8	108	115	104	115	115	-1					
Amstrad	2	17	14	14	14	14	14	-1	Cominco	0.50233	2	20.4	20.4	20.4	20.4	-1	Hinge Ch	1	107	34	34	34	34	-1	Pet Help	0.31	21	7	10	10	10	-1					
Am Intl	5	30	64	64	64	64	64	-1	Cooperat	15	32	17	14	14	14	-1	Hillhaven	14775	152.5	152.5	152.5	152.5	152.5	-1	Pet Ld	0.17	18	1209	201	201	201	-1					
Am Intl	17	78	88	81	81	81	81	-1	Conoc RdA	8	100	43	43	43	43	-1	Hornbeam	3	112	14.5	13.5	13.5	13.5	-1	Petway A	1.10	10	55	25	25	25	-1					
Am P	0.34	14	13	13	13	13	13	-1	Coast Air	0	351	21	13	13	13	-1	Hornbeam	0.51	4	532	35	35	35	35	-1	Petway G	0.51	12	152	75	75	75	-1				
Am P	0.54	9	90	90	85	85	85	-1	Conoco A	0.10443	232	42	42	42	42	-1	ICN Corp	0.51	4	104	51.5	51.5	51.5	51.5	-1	Petway P	0.10	12	16	32	32	32	-1				
Am P	0.28	15	55	75	75	75	75	-1	Conoco A	1.20	18	97	26	26	26	-1	Intelsyst	0	7	14	14	14	14	-1	Petway P	0.55	13	57	32	32	32	-1					
Am P	1.15	8	82	73	64	64	64	-1	Conoco A	0.40	21	32	25	25	25	-1	Intelsyst	0	132	15	15	15	15	-1	Petway P	0.55	14	57	32	32	32	-1					
Am P	0.10	12	82	73	64	64	64	-1	Conoco A	1.06	7	45	22	22	22	-1	Intelsyst	0	24	5	5	5	5	-1	Petway P	0.55	14	57	32	32	32	-1					
Am P	2.75	27	35	35	35	35	35	-1	Conoco A	5	3	6	5	5	5	-1	Intelsyst	2	48	2	2	2	2	-1	Petway P	0.55	14	57	32	32	32	-1					
Am P	1.80	10	24	24	24	24	24	-1	Conoco A	0	351	21	13	13	13	-1	Intelsyst	2	48	2	2	2	2	-1	Petway P	0.55	14	57	32	32	32	-1					
Am P	1.80	10	24	24	24	24	24	-1	Conoco A	0	351	21	13	13	13	-1	Intelsyst	2	48	2	2	2	2	-1	Petway P	0.55	14	57	32	32	32	-1					
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Am P	1.80	10	24	24	24	24	24	-1	Conoco A	0	351	21	13	13	13	-1	Intelsyst	2	48	2	2	2	2	-1	Petway P	0.55	14	57	32	32	32	-1					
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Am P	1.80	10	24	24	24	24	24	-1	Conoco A	0	351	21	13	13	13	-1	Intelsyst	2	48	2	2	2	2	-1	Petway P	0.55	14	57	32	32	32	-1					
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**FINANCIAL TIMES**

ZIMBABWE

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**FT SURVEYS**

## MONDAY INTERVIEW

## The EC's very own visionary

Jacques Delors, president of the European Commission, speaks to David Buchan

**N**othing frustrates a workaholic more than the summer wind-down of business in Europe.

The frustration is all the greater when you are Mr Jacques Delors, and you feel that the historic moment to become a world power may be slipping past the European Community, as ministers turn in circles on political and monetary union and fail to rise properly to for-

mal policy challenges.

Not that such mundane concerns dim his unique vision for Europe. "When I look at the long term trend of (EC developments), it is fantastic," he said, setting back in his executive jet on a recent flight to Portugal. "This is just what you would expect from a man who has become the most successful president of the European Commission for 4000 people in

the way the Commission has stepped in to 'name' its economy. Mr Delors admires the way Mr John Major handles his portfolio politically, but is aware that hopes of warmer relations with Downing Street depend on the vagaries of Britain's Euro-debate.

Oddy, as Mr Delors's international stature grows, so has his difficulty in getting the support of his 16 Commission colleagues on the more routine matters that come before the EC executive. One town for two or three days a week, he now no longer has the time to line up backers within "the college of commissioners" that others, notably the acid-tongued Sir Leon Brittan, have. Mr Delors complains colleagues never return the concessions he makes to them. Sometimes after a meeting with a fellow commissioner, he says he feels "like smashing a couple of vases against the wall."

Would he cut back his international profile so as to devote more time to cajoling the Brussels machine? Clearly not. His big ambition is to see Europe taking on the new world role cast for it by the end of the cold war. Before 1988-89, he says, it was easy enough. "Europe was protected against the communist baddies by the American white knight and his nuclear umbrella - France played the flint, Britain the discipline, one, Germany the discipline, all that is gone. Europe est maintenant face à

son destin."

It is high time for the EC to grow up, he says. "We are like a 15 year-old put at the door by Papa - we have got to pick up our suitcase, find a job, a place to live, a girl-friend and so on." If, on the other hand, Europe still behaves "as though it has a protector or an insurance contract, then this will signal its absolute historical decline". Yugoslavia is important here.



## The long term trend is fantastic'

America, though mighty after its Gulf victory, has left Brussels to make all the running in mediation, and Mr Delors considers it the EC's collective "duty" to get as involved in finding peace in Yugoslavia as the US is in the Middle East.

This world challenge is to

Mr Delors, "the fascinating character" of today. Set against the EC's future potential, the separate nations are hang-ups of its members. In 1992, indeed he is already reckoning that he will have to spend most of the second half of next year (with Britain holding the EC presidency) dealing with enlargement.

What then? He is unlikely to

refuse a second offer to be prime minister of France. In 1983 Mr Mitterrand offered him the job, but Mr Delors said he would only take it if he could also continue to direct the 24-hour (external monetary policy) committee that Mr Mitterrand offer does not come his way again. Mr Delors could not mind being asked to stay two more years in Brussels. Either way, he would keep his options open for a presidential bid in 1995.

## PERSONAL FILE

1925 Born in Paris.

1945-62 Banque de Paris.

1962-89 Head of European National Planning Commission.

1974 Joined Socialist party.

1979 Member of European Parliament.

1981-84 Economics, finance and budget minister.

1985 President of European Commission.

fathers) who preceded us thought of this. They created the instruments for dealing with this. Are we capable of using them? Yes or no? Voilà!"

All this thinking big has affected Mr Delors's views on EC enlargement. He was once a staunch opponent of "widening" the EC to take in new members until it had been "deepened" by further integration.

Last week the Commission gave Austrian members

the intellectual seeds that sprouted into the Social Car-

er. But it is industrial, rather than social, policy that agitates him these days. "Whatever some may say, I say long live Eurochampions" he returns to those who disparage attempts by Brussels to nurture world-beating industries. "One simply cannot have 50 per cent of European companies owned by Americans, Japanese and Swedes." He says he is not advocating pouring cash into companies, but an industrial policy that relies on "promotion standards", like that promulgated by Brussels for high definition television, on training and on R & D that develops more co-operation by companies downstream, nearer the market-place.

These are the policies which he says he would prescribe to all sectors coming to Brussels for help. "Those who reject this are either super-rightwing ideologues or they have national aims," he says. For him, competitiveness rather than competition policy is clearly the key word, and he would like it written firmly

on his own destiny.

Mr Delors still thinks it is

premature for applicants such

as Austria and Sweden to want

to jump into a marriage con-

tract now, "before they know

what sort of (EC) fiances will

emerge from Maastricht".

Where the IGCs are due to

wrap up with a political and

monetary union treaty in

December. But he says his

views have changed since

1986-88. The Community has to

decide "whether it wants to

be a single money - that's

its absolute historical decline".

Yugoslavia is important here.

## Bingham and the BCCI affair

**T**he public rightly expects that any inquiry into a national scandal or social disaster should reveal the true nature and extent of the calamity, unmask the guilty and indicate what needs to be done to avoid a similar occurrence.

The independent inquiry into the supervision of the Bank of Credit and Commerce International, to be headed by Lord Justice Bingham and set up jointly by the chancellor and the Governor of the Bank of England, has from the outset aroused public anxiety. The anxieties focus on the inquiry's lack of powers to summon witnesses and the decision to conduct proceedings behind closed doors. Much of the media comment on these issues misunderstands the role and function of an independent inquiry.

Every event which prompts a public inquiry has its own peculiar features. No two events dictate the same formula for the conduct of the inquiry. Each inquiring body likes to adopt its own procedure to meet the circumstances of the event under inquiry and the terms of reference.

While inquiries vary widely in their procedures, there are two immutable principles. The inquiry must be thorough if it is to perform the task of revealing what precisely happened and in assessing any attribution of blame. At the same time, the inquiry must be unquestionably fair to all those who may become the subject of criticism in the final report.

Thoroughness demands that all witnesses and documentary evidence relevant to the terms of reference should be available to the inquirer. The existence of a power to subpoena will ordinarily ensure that. But if the witnesses are abroad and



## JUSTINIAN

said for other forms of inquiry.

Lord Justice Bingham (then Mr Thomas Bingham QC) in 1977-78 investigated in private the supply of petroleum products to Rhodesia in breach of United Nations sanctions; his report concluded that UK oil companies knowingly violated the legal sanctions and that government officials were aware of such violations.

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Thoroughness demands that all witnesses and documentary evidence relevant to the terms of reference should be available to the inquirer. The existence of a power to subpoena will ordinarily ensure that. But if the witnesses are abroad and

the documentation is in the hands of foreigners, subpoena powers will prove fruitless. Lord Justice Bingham has not been given any such powers, though this is not regarded as a significant omission. If he were to conclude that such powers were essential to do justice the chancellor could resort to statutory measures. That might involve resorting to the Tribunals of Inquiry (Evidence) Act 1921, which clothed tribunals with all the powers of the High Court.

Thoroughness may not always be compatible with fairness. The former might call for oral examination of BCCI officials. Even if they are available in the UK to give evidence or willing to come voluntarily in front of Lord Justice Bingham, they might do so only if any alleged criminality was not going to be exposed to a public view.

One of the consistent obstacles to public inquiries which indicate the commission of serious criminal offences is the possibility that a prosecution might have to follow the conclusion of the inquiry. Potential defendants will always be safeguarded by a withholding of the inquiry report until after any criminal proceedings have run their course. This involves denying to the public full details of the events under inquiry, as happened with the report involving the Fayed brothers and Harrods store.

If it is in the public interest to have a scandal or disaster expeditiously investigated followed by full public disclosure

of the findings, then there is a strong argument, at the time of establishing the inquiry, in favour of foregoing any criminal process. No one in government has yet been so bold as to confer immunity from criminal trial to potential witnesses in public inquiries. But it is a topic ripe for consideration.

The greatest anxiety being expressed publicly regarding the BCCI inquiry is the sponsors' direction to Lord Justice Bingham that proceedings be held in private. No doubt, considerations of revealed criminality and confidentiality of transactions within banking law and practices militate against an open inquiry.

The decision to hold an inquiry in public or in private is frequently left to the inquiring body to determine. What can be safely assumed is that Lord Justice Bingham himself concurred with the view that his inquiry would best be conducted in private. Had he thought otherwise he would have insisted on holding the inquiry in public or have declined to accept the invitation in the first place. After all, he has been through a similar experience in the Rhodesian inquiry and doubtless knows all the wrinkles of investigating such tricky commercial and banking practices.

In any event, the government should, for its part, disclose more fully its reasons for preferring the inquiry to be held in camera.

Louis Blom-Cooper QC

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## Locked out of the White House

**A**s President George Bush relaxes after another successful foreign trip, Democrats are sunk in depression. Regaining the White House in 1982 looks about as easy as climbing Mount Everest without ropes or oxygen.

Mr Bush, ridiculed in the 1988 campaign as the "man with a silver foot in his mouth", is one of the most popular presidents in recent history. His approval ratings are so daunting that only one Democrat, Mr Paul Tsongas, an almost unknown former senator from Massachusetts, has so far declared his candidacy.

Mr Bush, however, is not entirely bad. According to an NBC/Wall Street Journal poll, Governor Mario Cuomo of New York, Senator Albert Gore of Tennessee and the Rev Jesse Jackson are the most popular potential candidates among Democratic voters. Governor Cuomo, the first choice of nearly a quarter of Democrats, is a charismatic figure capable of mounting an effective challenge in 1992. But after a year struggling to curb New York's huge budget deficit he seems destined to run.

The Democrats' presidential cupboard, however, is not entirely bad. According to an NBC/Wall Street Journal poll, Governor Mario Cuomo of New York, Senator Albert Gore of Tennessee and the Rev Jesse Jackson are the most popular potential candidates among Democratic voters. Governor Cuomo, the first choice of nearly a quarter of Democrats, is a charismatic figure capable of mounting an effective challenge in 1992. But after a year struggling to curb New York's huge budget deficit he seems destined to run.

The trouble is that polls suggest Mr Bush would comfortably defeat Mr Cuomo and trounce the lesser figures. The dilemma is that the party seems to have lost its key to the White House.

Conventional wisdom holds

that the best route to executive

power is to focus attention

more firmly on domestic prob-

lems. It was ironic that while

Mr Bush was lecturing Ukrainians on freedom last week, the Washington Post was lecturing

the president about the appalling social problems in his own capital city. It drew attention to 14 year-old children recruited as murderers by drug-dealers because they face only light sentences as juveniles.

Polls show that voters care more about domestic than foreign policy and that many disapprove of Mr Bush's handling of social issues.

Merely drawing attention to social problems, however, will achieve little. The Democrats must also demonstrate competence in solving problems. Thanks to Mr Rockefeller, they have begun to seize the initiative in health care. But in most other areas they remain mired or confused. Mr Bush is making the running on education policy by advocating greater parental choice and national tests to raise standards. And he has put Democrats on the defensive over civil rights by accusing them of favouring crude employment quotas for minorities.

But even if Democrats get

their domestic act together, the

White House remains a dim

prospect. The NBC poll sug-

gests 60 per cent of voters

think control of Congress and

the White House should be

split between the parties. The

Democrats already enjoy domi-

nance in Congress and state

government, which is seen as

the natural home for domestic

policy. To seize the White

House they need a candidate

who can outshine President

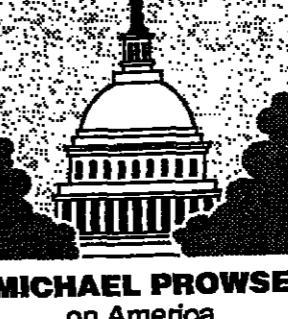
Bush as a foreign policy

star and commander-in-chief.

That will scarcely be easy

given the president's recent

record.



MICHAEL PROWSE

on America

health care reform and family

policy.

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more firmly on domestic prob-

lems. It was ironic that while

Mr Bush was lecturing Ukrainians on freedom last week, the Washington Post was lecturing

the president about the appalling

social problems in his own

capital city. It drew attention

to 14 year-old children

recruited as murderers by

drug-dealers because they face